

CURRENT HISTORY

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Current History

NOVEMBER, 1988

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The ongoing effects of the Single European Act, the Intermediate Nuclear Forces (INF) treaty and NATO's evolving defense posture, as well as political changes due to recent elections in West Europe, are discussed in this issue. As noted in our lead article, "the opinion of most Western governments [is] that NATO is not in a state of disarray. . . . and [United States President Ronald Reagan] will leave office with United States-West European relations on an even keel."

United States-West European Relations

BY RICHARD L. KUGLER

Senior Social Scientist, The Rand Corporation

WHEN President Ronald Reagan leaves office in January, 1989, he will bring to an end an extraordinary eight-year chapter in United States-West European relations. This article examines a central aspect of this period: the Reagan administration's legacy in managing alliance security affairs. While the Reagan administration got off to a shaky start in Europe, it is ending its tenure with United States-West European relations in better shape than its critics dreamed possible. Its early difficulties were caused largely by its efforts to pursue new, controversial strategic policies that its allies did not support. Its later success has been brought about by its efforts, over the past four years, to restore alliance unity in this critical area.

The methods employed by the United States were varied. In some areas, it persuaded the allies to follow its lead, and profited from its success in strengthening NATO's (the North Atlantic Treaty Organization's) security. In other situations, it adapted intelligently to the changing situation in Europe. Regardless of the mechanisms it employed, the Reagan administration deserves credit for orchestrating this positive turn of events.

Nonetheless, the negative legacy of the early Reagan years cannot be discounted either in a historical appraisal or in an evaluation of future policies. If the next United States administration wants to avoid the stresses that plagued the North Atlantic Treaty Organization (NATO) through most of the past eight years, it will need to do a better job of planning and alliance management, especially at the outset. This will be necessary because the

challenges ahead are likely to be complex and formidable. In particular, the alliance cannot afford to negotiate with Soviet General Secretary Mikhail Gorbachev with its strategic policy in disarray.

When the Reagan team first took office, it replaced the administration of President Jimmy Carter, who had experienced his own difficult moments with the NATO allies. The neutron bomb imbroglio, which brought about the United States suspension of this weapon after West German Chancellor Helmut Schmidt had gone to great lengths to gain its acceptance, is a classic case. Nonetheless, the Carter administration pursued strategic goals that mostly met with favor in West Europe.

For this reason, Ronald Reagan's election in late 1980 was greeted with consternation in Europe. During the campaign, President Reagan had been critical of President Carter and, true to his word, entered office set to embark on new directions, many not agreeable to West Europeans. The new team began girding for tougher times with the Soviet Union, thereby creating pressures to follow a course that seemed unwarranted to many Europeans. As if to close the door on any alternative to confrontation, it began pursuing arms control plans for deep cuts in nuclear forces that seemed, to many, unwise. They feared that this approach would cripple the negotiatory process that still held hope for dealing with Moscow.

Albeit welcoming the President's buildup of United States forces, many allies questioned the need for such a buildup and rejected any implica-

tion that they should follow suit. They were also disturbed by the Reagan military strategy, which they felt had overtones of unilateralism and even isolationism.

Added to this was President Reagan's surprising endorsement of the Strategic Defense Initiative (SDI) program in 1983, without prior consultation. SDI (Star Wars) seemed to reinforce the unfortunate tendencies in Ronald Reagan's nuclear and in his conventional doctrines, and threatened many Europeans with upsetting a strategic balance that, while dangerous, had come to seem comfortably stable. Finally, in its desire to attend to other problems around the world (occasionally in ways that rankled the NATO allies), the Reagan leadership seemed to regard Europe itself with an unsettling ambivalence. This perception led many Europeans to begin questioning the constancy of the United States as a strategic partner.

The allies' standoffish attitude, in turn, did not go down well in Washington. The Reagan administration, seeking to infuse the Western alliance with fresh ideas, resented criticism it regarded as unfair. In addition, the United States had its own complaints about some allies. Particularly galling were their hesitation in standing up to the Soviet Union, their weak support for United States actions elsewhere, their doubts about the United States nuclear guarantee, and their failure to improve their conventional forces more rapidly. Therefore, suspicion in Europe was matched by dissatisfaction in Washington.

As a result, under Ronald Reagan, United States-West European relations got off to a troubled start and remained that way through the first Reagan term. Because most allied governments were led by pro-NATO governments friendly to the United States and because at that time the Soviet leadership was too stodgy to capitalize on the opportunity, the damage done was not as serious as it could have been. But even so, mutual wariness further inflamed a succession of stressful disputes over the gas pipeline deal, Persian Gulf policy, United States actions in the Middle East and Latin America, and growing problems in economic relations and trade policy.

Adding to these strains was the bruising political battle that led to NATO's decision to begin deploying 108 Pershing II missiles and 464 ground-launched cruise missiles (GLCM's). The idea of deploying intermediate-range nuclear missiles on European soil was not a United States initiative, nor a recent idea. It had been raised before in NATO's history, and at this time Chancellor Schmidt was the immediate instigator. Ever since it backed away from the Multilateral Force (MLF) in the 1960's, the United States had been trying to shift

NATO's emphasis away from nuclear forces and toward better conventional defenses.

This critical fact, however, seemed forgotten in the public debate in Europe after the NATO defense ministers reaffirmed the deployment decision in 1982. The United States was often portrayed in European liberal circles as a militaristic superpower seeking to nuclearize Europe in the face of proper allied opposition. For the most part, the allied governments supported the idea as a contribution to their own security, but they were compelled to fight grueling political battles at home against their oppositions. The outcome was favorable to deployment but, when the dust had settled, many Europeans felt that they had made a concession to Washington.

REAGAN'S SECOND TERM

Although the Reagan administration's first term left a residue of distrust that lingers today, the subsequent four years witnessed major strides toward unity in NATO. To be sure, there have been frictions. For the allies, the Reykjavik summit talks, the Iran-contra affair and American economic troubles have provided cause for concern about Washington's leadership. In the United States, frustration over burden-sharing and the adverse United States trade balance has led to growing disgruntlement not only with Japan but with West Europe. On both sides of the Atlantic, these stresses have produced a worrisome groundswell of doubt about the alliance's future.

Offsetting these troubles, however, has been a healing process that, while not registering heavily in United States or allied public opinion, has helped improve official relations. This trend began early in Ronald Reagan's second term, progressed slowly in 1985 and 1986, and accelerated in 1987 and 1988. It can be attributed partially to the administration's growing maturity in consulting with the allies and to European efforts to improve West Europe's dialogue with Washington. Underlying this better communication is a greater consensus on strategic policy issues.

The degree to which United States-West European relations have improved is most visible in the contentious intermediate nuclear forces (INF) arena. Although deployment of the Pershing missiles and the GLCM's was traumatic to the alliance, it ultimately yielded a strategic triumph. By late 1985, all 108 Pershings had been deployed and the GLCM program was under way; by late 1987, 304 of the 464 GLCM's had been fielded. As this process unfolded, West Europeans grew accustomed to the missiles; apart from the continued protests by Britain's Labour party and the West German Social Democratic party, the controversy simmered

down. NATO's morale slowly rose in tandem with its expanding prestige and West Europe's growing confidence in American leadership. The deployment showed that despite public cynicism the alliance had the resolve to improve its nuclear posture in the face of Soviet opposition.

Confronted with this NATO solidarity, Washington's firm SDI stance, and growing United States threats to cease honoring the Strategic Arms Limitation Talks (SALT II), Soviet leaders returned to the bargaining table in March, 1985. During 1986, they began signaling flexibility on their INF stance, and in early 1987 they agreed to the United States-backed "zero option." By dropping their insistence on resolving SDI and by keeping some SS-20's to compensate for British and French nuclear forces, Soviet diplomats opened the door to an actual agreement. Subsequent talks led to the inclusion of the Soviet SS-12 and SS-23 short-range missiles, and adoption of the "double zero" option in June, 1987. Following West Germany's agreement in August to dismantle its 72 Pershing IA missiles and lengthy talks on verification, the treaty was signed with pomp and ceremony at the Washington summit in January, 1988, and was ratified at the Moscow summit in June, 1988.

Although it was the first United States-Soviet arms treaty ratified since the mid-1970's, the INF treaty was not received well in all quarters. Some military experts criticize the treaty because it totally removed missiles capable of striking the Soviet Union and these specialists believed that NATO's military strategy requires these missiles to deal with a still-strong Soviet threat. Others express a more basic worry: that the treaty represents the first stage of a United States nuclear disengagement from Europe, to be followed by other accords stripping away West Europe's nuclear deterrent.

Both arguments were officially deflected on the grounds that NATO's residual nuclear forces would still be adequate to meet military needs and to preserve the "coupling" of the United States' to Europe's defenses. But they did leave their mark. While critics were not convincing enough to block the treaty, they placed the United States and NATO in the difficult position of having to decide how to modernize the forces that still remain.

These concerns aside, the treaty has been greeted with widespread acceptance in Europe and in the United States. Militarily, it compels the Soviet Union to make asymmetrically large reductions in missiles and warheads. Perhaps more important are its political implications. For the first time, the West has reached an agreement with Soviet leaders that forces them to remove an entire category of offensive weapons while allowing NATO to retain a defensive posture that it regards as adequate. This

achievement sets an important precedent for future arms control talks in Europe.

The treaty also has had a positive impact on United States-West European relations. It vindicates President Reagan's insistence on driving a hard bargain, while reaffirming the allies' belief that serious negotiations with the Soviet Union are possible: Thus, diplomats on both sides of the Atlantic can look back on the process with satisfaction.

The United States has also adopted a more conciliatory approach toward the Soviet Union. The extent to which the United States attitude has changed was illustrated most vividly when Ronald Reagan endorsed Mikhail Gorbachev's reforms at the Moscow summit. But it has been under way since the 1985 Geneva summit, and especially since early 1986, when Gorbachev launched his diplomatic campaign to improve relations with the West.

Washington, although wary, reacted to Gorbachev's demarche by setting aside its harsh anti-Soviet rhetoric and taking steps to reciprocate. The following months saw a flurry of East-West diplomacy, including a second Reagan-Gorbachev summit at Reykjavik in October, 1986, and visits to Moscow by French President François Mitterrand, West German Foreign Minister Hans-Dietrich Genscher, and British Prime Minister Margaret Thatcher. In the wake of this diplomacy, the United States, the United Kingdom and West Germany all signed accords with Moscow aimed at expanding cultural, educational, scientific and economic relations.

Perhaps most important, the pace of arms control talks picked up noticeably. In addition to the INF talks, the United States and the Soviet Union made progress in START (Strategic Arms Reduction Talks) by agreeing to negotiate on 50 percent cuts in their strategic arsenals. In late 1986, the 35-nation Conference on Disarmament in Europe (CDE) reached agreement on a set of "Confidence and Security-Building Measures" (CSBM's) calling for the advance notification of large military exercises and for allowing observers to attend them. In addition, in mid-1986 Gorbachev proposed to widen the Mutual and Balanced Force Reduction (MBFR) talks, which had focused on Central Europe, to cover the area from the Atlantic to the Urals. Over the next 15 months, NATO and the Warsaw Pact met several times, and in late 1987 they agreed to open a new negotiating forum based on this idea.

The ultimate consequences of this dialogue with Moscow remain to be determined. Despite Gorbachev's rhetoric calling for an end to the cold war, his policies in Europe do not yet amount to a major departure from the past. As many experts point out, NATO faces risks in trying to deal more forthrightly with Moscow. In its haste to wind down the

cold war, NATO might succeed only in unraveling itself. At a minimum, the prospects for further arms control negotiations in Europe, beyond the INF treaty and the CSBM's, are problematical. But these problems aside, the dialogue undeniably has had a salutary effect on United States-West European relations. By breathing life into a process that the allies regard as vital to the West, it has helped to close what was formerly a major strategic policy gap between the United States and its allies.

Transatlantic relations have also been aided by the partial clearing up of the major misunderstanding that arose over United States nuclear strategy, as a result of the Reykjavik summit. The historical background is important here. In the early 1980's, confronted by allied fears that the United States nuclear buildup was aimed at regaining superiority, the Reagan administration was compelled to undertake a diplomatic campaign to convince West Europeans otherwise. While its efforts were largely successful, many allies were left wondering whether American nuclear strategy would continue to take West Europe's interests to heart.

President Reagan seemed to confirm the worst allied fears at the Reykjavik summit, but for entirely different reasons. In addition to forging agreement with Gorbachev on terms for the INF and START talks (gains praised in Europe), the President also stunningly embraced the vision of a nuclear-free world and came close to agreeing on such a plan with his Soviet counterpart. To the dismayed allies, Reykjavik suggested the polar opposite of nuclear superiority—an equally unpalatable world in which Europe, no longer protected by United States nuclear coverage, would be left vulnerable to a conventional Soviet invasion.

With the alliance badly shaken, Prime Minister Thatcher and West German Chancellor Helmut Kohl quickly traveled to Washington for clarifying discussions with President Reagan. Senior United States diplomats, in turn, journeyed to NATO headquarters and to West European capitals to explain Reykjavik's visions. In this exchange, the United States reassured the allies that it would retain adequate nuclear forces as long as Soviet leaders posed a military threat to Europe. In doing so, it managed to contain, albeit not totally to repair, the damage to alliance relations. In the following months, American statements on nuclear strategy remained satisfactory; by the time that the INF treaty had been signed, Washington and its allies were back on the same wavelength.

During 1985-1988, the equally stressful transatlantic debate over SDI also began to recede. In the months immediately following its emergence, SDI had triggered angry wrangling between Washington and its allies over the implications for arms con-

trol negotiations, United States military strategy, and whether West Europe would benefit from its protective cover. By late 1985, however, Washington had reassured the allies that SDI would not derail arms control talks. The United Kingdom, West Germany and other allies, in turn, set aside their reservations and agreed to participate in SDI research.

United States-West European tensions over SDI further declined over the following year, largely because steps were taken further to remove SDI as a barrier to arms control. In mid-1986, President Reagan sent Gorbachev a letter formally proposing to extend the ABM (Anti-Ballistic Missile) treaty for seven years and six months if a START agreement could be reached for a 50 percent cut in offensive forces. His letter linked further compliance to the elimination of all offensive missiles. The Soviet Union held out for a longer extension, but at least the United States proposal made continuation of the ABM treaty possible: a condition for Soviet agreement to START. Gorbachev's decision in early 1987 to drop an SDI accord as a condition for agreement on the zero option also meant that the INF talks were no longer held hostage to SDI, a step that found favor in West Europe.

In late 1987 and 1988, there was a shift toward further transatlantic accord, this time from Washington. The Reagan administration still endorsed SDI and continued to struggle internally over whether it should open the way to further research by declaring the Soviet Union in material violation of the ABM treaty. But in response to mounting domestic criticism, it began more openly to recognize the barriers to a full SDI deployment.

Equally important, many United States experts began endorsing limited SDI systems, rather than a space-based shield. For example, Senator Sam Nunn (D., Ga.), chairman of the Senate Armed Services Committee, suggested an earth-based system for defense against accidental launches. The Defense Department itself did not back away from a complete system, but it began talking in terms of a phased deployment beginning modestly and building slowly.

All this sail-trimming went down well in West European capitals. Clearly, a final transatlantic accord has not been reached on SDI. But to the allies, the sail-trimming suggested that, for the moment at

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Richard L. Kugler is a specialist on NATO defense policy. He has written many articles and government studies in this area. He was employed by the Department of Defense, from 1975 to 1988, serving primarily in NATO-related activities.

"The most significant development since the creation of the SEA [Single European Act] in 1987 has been a broad-based public awakening about what will happen when the EC [European Community] becomes a single-market economy in 1992."

The European Community: Twelve Becoming One

BY PIERRE-HENRI LAURENT
Professor of History, Tufts University

IN the mid-1980's, the twelve-nation economic grouping of the European Community (EC) embarked on a historic attempt to complete the formation of a single internal and truly integrated market. The plan outlined at the 1985 Milan summit of the European Council committed the twelve (West Germany, France, Great Britain, Italy, the three Benelux nations, Denmark, Ireland, Greece and then in 1986, Spain and Portugal) to eliminate by December 31, 1992, all the hurdles that denied the existence of a true Common Market. In 1987, the Single European Act (SEA) was approved by each national legislature of the member states and a five-year drive was launched to make the twelve into one.

By 1992, over 325 million people would become not simply the largest global trading bloc but, for all economic and financial purposes, a single lucrative market with worldwide influence equal to that of the United States and Japan. One international relations expert noted that this change could rank historically with the emergence of the United States and the Soviet Union as superpowers. In less than three years, the complicated job of establishing one open European market has swiftly become the central issue of significance in West Europe, sharing the limelight with the issue of superpower arms reduction.

As the 1980's began, a series of interrelated events led to the major breakthrough of the Milan summit.¹ The first stimulant was the EC Commission's recognition that Europe's trade competitiveness and technological productivity were insufficient for survival in global trade. The rapid pace of technological advance, particularly in the areas of high technology (computers, telecommunications, aerospace, energy and biotechnology), had suddenly, within a decade, left West Europe considerably behind the two world leaders in these fields, the United States and Japan. Etienne Davignon, the

EC commissioner with responsibility for industrial and technology policy, saw the link between the need to strengthen the research and technological basis of West European industry and the need to expand West Europe's future trade with new and larger markets.

The advent of the 1980's meant that increased European teamwork along with goodwill could be the avenue toward a third capitalist power in the twenty-first century. Setting a date to achieve Europe Inc. meant getting the approval of all twelve members for over 300 legislative clauses that would end protectionist restrictions. To open Europe to free trade meant doing away with all restraints to competition within one market; this could only be achieved by diplomatic consensus.

Led by the big three, the Federal Republic of Germany, France and Great Britain, the European Council accepted a white paper in 1985 that outlined the measures needed to eliminate all physical, technical and tax barriers among the ten EC members (Spain and Portugal were to enter formally on January 1, 1986) by the end of 1992. As Jacques Delors, the new president of the EC Commission, said, it was not only a race against the clock, but a move against further national isolation and protectionism, and toward a "common objective which would enable us to surmount our everyday problems, concentrate our strengths and combine our energies."²

The evolution of the Single European Act (SEA) between 1985 and 1987 reflected the determination of the Commission and the resurgence of the political will of the twelve, who were armed with a precise economic agenda. There was also the longer-range goal of a West European union. Thus, a connection was made between the internal market and advancement in European political cooperation.

The SEA symbolized one goal—the attainment of a genuine European supereconomy without internal frontiers—but added a financial dimension. The single market would require stability of currency exchange and a harmonized European monetary

¹Roy Price, *The Dynamics of European Union* (London: Croom-Helm, 1987).

²Jacques Delors in *Europe*, no. 275 (April, 1988).

policy. The European Monetary System (EMS), created in 1979, was the only balancing mechanism in the EC, and its further development and consolidation became an integral factor for progress. If an overall convergence of economic policies were to be attained, the monetary and banking facets of the twelve would require the adoption of a common currency for West Europe.

From the start, a mightier West European market suggested greater possibilities for protectionism. For the United States, this development could be particularly relevant since its trade balance with the EC had moved to a deficit in 1983, which enlarged substantially since. While West European exports to the United States increased considerably, United States exports declined throughout the 1980's (only a part of that diminution was caused by the higher value of the dollar). Clearly, intra-Community trade liberalization moved more rapidly than external free trade creation.

Although there was no doubt in West Europe that a frontier-free Europe would benefit EC enterprises, one other clear intent of the white paper was to alleviate the concerns of non-EC companies or states.³ The West Europeans seemed to believe that short-term practice of economic nationalism on a minimal level was virtually necessary to enhance their global competitiveness. Because Europe economically was becoming a single market, protectionist measures would, in part, reflect European advantages not available to outsiders. Even though the major EC members were strongly anti-protectionist, in the 1980's, the Fortress Europe tendency to protect trade was viewed as attractive by some of the smaller economies and more vulnerable enterprises.

The increased concern in Washington and Tokyo was based on the economic challenge a united Europe might pose. Only a few of the key industries in West Europe would battle to maintain state protection. For some, a tougher EC policy toward outsiders would naturally help ensure that the new market benefits went to West Europeans. Lord Cockfield, the then EC Commissioner vice president responsible for the transition to a single market in 1992, was to work to allay American and Japanese fears about economic xenophobia.

In this respect, if the single market created an economy capable of challenging the global trade leaders, non-EC West European apprehension and

even distress could grow in the late 1980's. As expressed by some of the European Free Trade Association (EFTA) members (Switzerland, Austria, Iceland, Finland, Sweden and Norway), there were fears not only about being kept out of continental developments, but about the termination in 1992 of one quasi-privileged relationship that allowed their duty-free industrial exports to the EC.

Most problems about 1992 and protectionism were focused on the EC. The cleavages within Europe that housed the old protectionist inclinations of the south versus the free-trade history of the northern states appeared to grow in significance as 1992 got closer. In fact, this southern proclivity to protectionism and its strong agrarian bent was not all that divided it from the industrialized and modernized north. The possibility that southern agriculture might be a loser in 1992 led Mediterranean rim EC members to extract budgetary compensation from the northern partners in advance. Northern EC members perceived farm states and their excessive fretting about more interregional competition as a major factor holding back the leap to one vast and prosperous region; thus regional disparities still divide member states.⁴

As the community marched toward labor and capital-goods free movement, the EC record continued to record some protectionist external barriers, including export controls on Japanese autos and American beer. The EC, however, explained carefully that unlimited entry into West Europe was not guaranteed, but was rather the end result of a new reciprocity with Europe's trading partners. In effect, an EC-wide industrial strategy and trade policy would emerge on the way to 1992 and very precise quid pro quo trade agreements would be negotiated on that basis.⁵

In Brussels and the twelve EC capitals, attention has been focused on dismantling internal barriers and creating a strong market. One variable facilitating the breakup of various national or sector restrictions on trade has been the accelerated pace of business reorganization and restructuring with an eye to 1992. In effect, businessmen are telling governments that they want to change from a national (and usually a not very competitive one) system to an integrated, large scale, competitive economy with growth potential.

The De Benedetti affair called more attention to 1992 than any other issue since the days of the European Council white paper in 1985. The Italian financier and chief officer of Olivetti, Carlo De Benedetti, tried to forge corporate alliances and entities by buying subsidiaries, aiming primarily to expand his network of holdings in anticipation of the unified market. The clearest illustration of the

³*Treaties Establishing the European Communities: Treaties Amending These Treaties, Single European Act* (Luxembourg: EC Official Publication, 1987).

⁴Willy De Clerq in *Europe*, no. 274 (March, 1988).

⁵Edward Heath, "European Unity over the Next Ten Years: From Commonwealth to Union," *International Affairs*, vol. 64, no. 2 (Spring, 1988).

impact of 1992 was De Benedetti's attempted takeover of Société Générale de Belgique. To strengthen his pan-European base, De Benedetti tried to gain an enormous windfall in the upcoming single market by creating a huge European food conglomerate that included the giant Belgian holding company.

The Générale case was typical of the heightened urge to consolidate more powerful business groups via takeovers and mergers. As preparation for the post-1992 world of trade, many business elements appeared to believe that there was a critical size that would be needed to compete in the race to 1992 and after.

A tariff-free market for West European consumers has made it easier to construct large enterprises through trans-frontier mergers. In the end, the freeing of EC internal restrictions and the creation of economies of scale have pressed business to pool resources.

Corporate capitalists are enthusiastic about 1992. The benefits of the new Europe are seen not simply in the reduction of costs and prices, but in the creation of vast new opportunities. The most sought-after result in both the private and public sectors will probably be in the area of employment. The short-term projections cite as many as two million new jobs and longer-term projections for the 1990's foresee some five million new jobs. When added to the anticipated 4 percent to 6 percent GDP (gross domestic product) increase for the EC and the 6 percent price reduction, growth would not be only economic, but also a spillover into social areas like social security benefits and pensions. Behind every 1992 lobbying campaign are the largest European business concerns, now irreversibly committed to Project '92.

PROVINCIALISM AND IMMIGRATION

Sharing professional standards, new tax systems and social policies and including labor mobility means that the search for European self-sufficiency and trade strength may have a high price. Regional homogenization, not just economic but significantly cultural, poses potentially disturbing problems and gives rise to some resentment. This is not just historical intolerance and rigid nationalism, but genuine and pragmatic defense of particular interests. The social, cultural and even linguistic repercussions may pose more of a threat than real economic issues.

If the capitalists of Europe have become the core of the new integrationist sentiment, the center of opposition ranges from middle-level managers and unskilled laborers to small farmers and "democratic" politicians, who despair about democratic foundations in the leap to 1992. Thus, on one

side, provincialism and parochialism will unite with the defense of national sovereignty to stonewall the advent of a continent-wide marketplace. Some will accept 1992 only if democratic institutions also emerge.

To some observers, the crux of the 1992 matter might be the struggle of the diverse regions inside the EC with their domestic political imperatives prescribing behavior and policies. If transnational diplomatic accommodation were to prevail by 1992 or even later, a way has to be devised to address the local issues that relate to the farm-industrial and rich-poor cleavages, or the sunrise versus sunset industry divergences in the Community.

Combating this regional patchwork and a possible breakdown has been a Franco-German intimacy and even consensus about 1992, despite French worries about German reunification and neutralism, and Bonn's questioning of latent Gaullism.

If the opportunities are many, the problems in the construction of a single-market EC are formidable. Tax rates, procurement, product standardization, the professions, transport and farming remain persistent impediments. Value added tax (VAT) rate discrepancies will constitute a formidable battleground in the next few years, for each EC member has a set of very specific reasons and rationales for its own rate. In effect, the control of economic policy remains housed in national legislative bodies. The battle to define and set taxes within a national context continues.

Public procurement reform is essentially opening up bidding and ending sweetheart deals. One reason why some telecommunications, transport, water and energy companies are fighting 1992 is their present exemption from procurement laws.

Product standardization is another extremely sensitive problem area in the achievement of a single market. The construction and design of telephones, televisions and other commodities are strikingly varied in the twelve, but commonalities in these and other commodities will be required in a frontier-free West Europe.

In the area of the movement of peoples, the greatest difficulties have arisen over the recognition of professional qualifications, mostly in law, medicine, dentistry, teaching and architecture. Barrier-free West Europe means genuine, unrestricted capacity to practice one's trade or profession anywhere and in many EC states, this issue has brought about serious vested-interest group resistance. This problem was a factor in the French presidential election in 1988, when the National Front and the Communists supported the retention of national trade and managerial standards. An annex to this issue is the question of language facility

in a polyglot Europe.

Transportation, both road and air, has to be changed in order to make it cheaper relative to the cost of production. Hauling prices are so exorbitant that a black market exists for "full EC area" licenses. If demolished, this barrier-within may result in substantial price reductions.

The EC farm policy must be addressed also, although part of that task was accomplished in 1987 and in the February 12, 1988, accords of Brussels. Farm spending and the budget were cardinal issues in these reforms; the Common Agricultural Policy (CAP) was cut back in any future growth. Furthermore, a new system for calculating issues like price cuts (tying them to production cuts), aid to poorer regions, and rebates appears on the horizon.

Most important, the money changes of the February, 1988, agreement signaled a slight lessening of the EC costs paid by the West Germans. As a consequence, Bonn could renew its leadership role, while the British could demonstrate their commitment to the EC with the acceptance by Prime Minister Margaret Thatcher of a trade-off on budget rebates and CAP reductions. Although Bonn still holds the Euro-moneybags and London is still perceived as the quasi-reluctant partner, the Brussels budget and farm stabilization compromises informally released the twelve from many long-standing budgetary obstacles. One cannot understate the significance of the fact that the biggest budget squabbles are over for at least four years.

The publication in 1988 of a report commissioned by the EC and authored by Paolo Cecchini added greatly to the "coming of the common market" question. After two years of extensive analysis, a large group of independent economists announced in *Research on the Cost of Non-Europe* that the economic prospects opened by the 1992 program would be varied, complex and mostly positive. The study also indicated the negative results of barrier maintenance. But most cogently, the work illustrated the impact that a barrier-free West Europe would have on business.

The effects of the white paper program on the non-EC world were not covered in the Cecchini study. Discussion about potential external trends has begun, however, and the impact of EC policies on foreigners has become a major topic of interest. The multinational corporations (MNC's) already settled and operating in West Europe have been among the greatest cheerleaders for 1992. With some very mild concern about protectionism, these well-entrenched European operations see quick savings on costs via harmonized product standards and fewer transport delays. Given the dollar decline, these mostly American-led MNC's hail integrated Europe because their goods will be more

attractive on the continent.

To spur market completion, most knowledgeable Europeans believe that the prerequisite will be movement in the monetary field. It is hoped that similar monetary policies will be the surest way to fuse free-flowing capital with stable exchange rates. There is no doubt that the national service-area trade and existing commerce restrictions are the most serious deterrents to a unified market. Given this perspective, the overall economic union of West Europe has been inexorably tied to the advancement of the EMS (European Monetary System). In a projected second stage, the creation of one European central bank and the greatly expanded use of the European Currency Unit (ECU) have become the contemporary centerpieces for the EC. The originators of the EMS, former French President Valéry Giscard d'Estaing and former West German Chancellor Helmut Schmidt, have come out of virtual retirement to campaign for monetary union. The central bank notion, although it was criticized by Britain (not an EMS member) and even initially by West Germany's Bundesbank, now resembles the United States Federal Reserve, with independent board members and 12 national representatives making joint decisions.

It will be difficult to persuade the British government to join the exchange rate of the EMS. Particularly troublesome for the British is that if they opt for the EMS, certain Commonwealth and transatlantic relations will be downgraded. So if monetary stability is to be a cornerstone for the operation of the single market, a mark-franc-pound zone requires Thatcher's consent to the EMS. Thatcher's agreement, albeit reluctant, at the Hanover summit in June, 1988, to allow for a study of a European bank was a concession and not a complete cave-in; however, her reservations about 1992 are still strong.

In the 1987 plan of French Minister of Finance Edouard Balladur the ECU was to be accepted as legal tender as part of the 1992 package along with the national currencies. Since that time, Franco-German diplomacy has hurdled some differences, and Paris has sought London's participation to support a more stimulative economy rather than the inflation-oriented money supply control of the German posture.

The overall monetary ideas have gained con-

(Continued on page 394)

Pierre-Henri Laurent's writing on the European Community has appeared in various journals. He was a contributor to *The European Economic Community Today* (Chicago: Institute of European Studies, 1986).

"The 1990's promise to be the most significant decade for West Germany since its foundation in the postwar era. West Germany will face . . . [an] important transition in its political culture and party system. How it handles these challenges will be crucial to the European political future."

Political Shifts in West Germany

BY STEPHEN F. SZABO

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WEST Germany is in the third of a series of long political cycles that have characterized West German politics since the formation of the Federal Republic in 1949. The first cycle was ruled by Christian Democratic-Liberal governments composed of a coalition of the Christian Democratic Union (CDU), its Bavarian sister party, the Christian Social Union (CSU), and the Free Democratic party (FDP). Led by a series of Christian Democratic Chancellors (first Konrad Adenauer and then Ludwig Erhard), the Christian-Liberal era ran uninterrupted from 1949 through 1966. A short transitional period followed, with a coalition between the two major parties, the CDU/CSU and the Social Democratic party (SPD). This "grand coalition" lasted from 1966 through the election of 1969.

The second major political cycle was that of the Social-Liberal coalition governments (SPD-FDP) of 1969-1982, led by the SPD Chancellors Willy Brandt and then (after June, 1974) Helmut Schmidt. The third cycle began in October, 1982, when the Free Democrats left their coalition with the Social Democrats and returned to the Christian Democrats; the cycle was confirmed by the electorate in the national election of 1983.¹

This new Christian-Liberal cycle, under CDU Chancellor Helmut Kohl, was reconfirmed in office in the parliamentary election of January, 1987. The results were generally unsurprising. The Christian Democrats and their Bavarian allies received 44.3 percent of the vote (down from 48.8 percent in 1983), while their liberal coalition partners, the

¹For background on this election and on political developments through 1985 see, David P. Conradt, "West Germany's Center Coalition," *Current History*, vol. 85, no. 514 (November, 1986).

²Pre-election polls listed the following issues as "very important" to a majority of voters just prior to the January, 1987, voting: unemployment (listed by 81 percent), environmental protection (68 percent), pension security (65 percent), disarmament (59 percent) and stable prices (52 percent). Forschungsgruppe Wahlen, E.V., *Bundestagswahl 1987* (Mannheim: Forschungsgruppe Wahlen E.V., 1987), p. 39. See also Karl Cerny, "The Bundestag Election of 1987," *World Affairs*, vol. 149, no. 3 (Winter, 1986/87), p. 128.

FDP, received 9.1 percent (up from 7.0 percent in 1983). The opposition SPD fell to 37.0 percent from its 1983 total of 38.2 percent, while the newest party on the West German political scene, the Green party, increased its vote to 8.3 percent, from 5.6 percent in 1983. In short, the governing coalition received 53.4 percent, down from 55.8 percent in 1983, while the opposition went from 43.8 percent four years earlier to 45.3 percent in 1987.

Yet behind these rather unremarkable returns lay indications of important shifts in German politics and in the West German political culture. First, there was the confirmation of the center-right coalition, but within this coalition there was a clear preference for the centrist elements over the conservative forces. Second, on the left there was further evidence that the Greens were more than a passing factor in German politics and that the fragmentation of the left would continue to influence political calculations and strategies. These trends raised deeper questions about whether West German politics was moving toward greater polarization and disaffection with the major parties.

The election result was the product of a number of factors. The voters confirmed the Christian-Liberal coalition primarily because most voters believed it would better manage economic and foreign policy. Pre- and postelection polls showed that economic issues dominated the voters' attention.² The economy was strong going into the election; inflation, the federal deficit and the trade balance were all favorable, with unemployment (which hovered around 9 percent) the only unfavorable factor. The Social Democrats attempted to exploit the unemployment issue but could offer only more public spending and a shorter workweek as policy alternatives. As the election drew near, polls indicated a steady increase in optimism about the economy and the standard of living.

Similarly, with regard to foreign policy, the ruling coalition could point to its dependability as a North Atlantic Treaty Organization (NATO) ally through its implementation of the decision to deploy American Pershing II missiles in the Federal Re-

public in contrast to the opposition within the SPD to the policy of former Chancellor Helmut Schmidt. Furthermore, the government was able to achieve important progress in its détente policy, especially in the West German-East German relationship. In spite of threats from the East German leader, General Secretary Erich Honecker, that "a new ice age" in German relations would occur if the missiles were deployed, the East Germans continued to intensify their growing ties with the Federal Republic. Credits, loans and personal travel flowed from West to East at record levels, undercutting the Social Democrats' claim that they were better able to manage détente than the conservatives.

Even on environmental issues, the Kohl government was able to gain an advantage after the nuclear disaster at Chernobyl by establishing an Environmental Ministry and appointing Walter Wallman, the popular Frankfurt mayor, to run it.

The opposition, on the other hand, was divided and was not given a serious chance to win the election. After the fall of Schmidt in 1982, the Social Democrats were confronted with a Hobson's choice. They could either move to the left to appeal to Green voters, risking a loss of centrist voters to the conservatives and Liberals, or they could move to the center and risk increasing the Green vote by causing defections from the left.

Their candidate for Chancellor, Johannes Rau, (the governor of West Germany's largest state, North Rhine Westphalia), made it clear early that he would rule out any coalition with the Greens and would strive for an absolute majority of the votes. This goal was questionable to begin with, because only once (in 1957) had any party won a majority, and that was the CDU/CSU under Adenauer. The strategy lost all validity after a series of setbacks in state elections in 1986 with the result that many

³On this point see Geoffrey K. Roberts, "Weiter So, Deutschland!: The 1987 Bundestag Election in West Germany," *West European Politics*, vol. 10, no. 3 (July, 1987), p. 452.

⁴R.E.M. Irving and W.E. Paterson, "The West German General Election of 1987," *Parliamentary Affairs*, vol. 40, no. 2 (July, 1987), pp. 344-345. See also Stephen F. Szabo, "The German Social Democrats and Defense after the 1987 Elections," *SAIS Review*, vol. 7, no. 2 (Summer/Fall, 1987), pp. 51-62.

⁵About 915,000 of the losses were due to abstentions and about 840,000 were transfers to the FDP. About 500,000 votes went from the CDU to the SPD. Irving and Paterson, "The West German General Election of 1987," p. 349.

⁶The West German electoral system is essentially one of proportional representation. Voters are given two ballots; the first one lists individuals running for the Bundestag (federal Parliament) from the local constituency while the second ballot lists the parties. The second or party list totals decide the final percentage of seats each party will receive.

⁷An estimated 500,000 SPD voters in 1983 voted Green in 1987. Irving and Paterson, "The West German General Election of 1987," p. 351.

potential SPD voters cast their ballots for the Greens or stayed home.³

The disagreement on electoral strategy within the party was accompanied by divisions over policy. The party, which had formally repudiated the NATO decision to deploy American missiles in Europe at its party congress in 1983, continued to drift to the left on security policy. At its Nuremberg congress in August, 1986, the SPD voted once again to remove the American Pershing missiles and came out in favor of nuclear- and chemical-free zones, even going so far as to negotiate "treaties" on these zones with the East German Communist party. On environmental and economic policy the party was also confused, trying to please both the growth-oriented trade unions and the environmental concerns of the left and the Greens. Its campaign plank on nuclear energy, for example, alienated many trade unionists while failing to attract votes away from the Greens.⁴

Given these factors, the overall result was predictable. Why, however, did the Christian Democrats lose 4.5 percentage points over the previous election and fall to their lowest national level since 1949? And why, within the opposition, did the Greens benefit but not the SPD?

Postelection analyses indicate that the CDU/CSU lost about 2.2 million votes, compared with 1983, and that the loss was accounted for either by abstentions or by defections to the Free Democrats.⁵ In short, many CDU voters took advantage of the West German two-ballot electoral system to split their tickets, voting on the first ballot for the CDU and on the second for the FDP.⁶

Internal bickering within the coalition between the CSU and the FDP had characterized Kohl's first term and had created an image of Kohl as a weak leader. Franz-Josep Strauss wanted the portfolio of Foreign Minister for himself and was a leading critic of the policies of détente associated with Foreign Minister Hans-Dietrich Genscher, a leading FDP politician. In the final weeks before the voting Strauss attacked Genscher and his policy of détente. Yet détente was popular with the vast majority of West German voters. It meant the lowering of tensions in Europe and increased contact with relatives and friends in East Germany. Genscher and the FDP capitalized on these feelings and urged a "second phase of détente." Many CDU voters feared that in a government without the FDP Strauss and the right would be predominant; thus they gave their second vote to the Liberals.

On the left, the nomination of a moderate candidate in Rau and his declining electoral prospects led many left-wing SPD voters to vote for the Green party. Almost all the votes the SPD lost in 1987 went to the Greens.⁷ In addition, a major scandal

hit all the parties except the Greens in 1985 and 1986. The revelation, a housing scandal known as *Neue Heimat*, which involved the trade unions in the fall of 1986, hurt the SPD and took away any possible "sleaze factor" in a campaign against the governing coalition. This series of scandals lifted the Greens (especially with young voters) and may also have contributed to the relatively low electoral turnout.⁸

THE CHRISTIAN DEMOCRATS

The CDU/CSU has faced a continuing debate over strategy at least since the 1972 election. Led by Strauss and by the chairman of the CDU parliamentary caucus, Alfred Dregger, the conservatives have urged CDU to stick to a cautious approach to foreign and economic policy and to emphasize their differences with the Social Democrats and even with their coalition partners, the FDP.

This wing of the party, and Strauss in particular, are fearful that any substantial move toward the center of the political spectrum will open the right to new nationalist groups. They point to the limited success of the Republicans, a new-right party, in the Bavarian state elections of October, 1986 (where it polled 3 percent), and to the tripling of the vote of the neo-Nazi National Democratic party in the national election (although its vote comprised only 0.6 percent of the total vote). This modest upsurge on the right can be attributed to farmers' discontent over reduced agricultural subsidies as well as to resentment against foreign workers and political refugees.

The conservatives have reincorporated nationalist themes into their repertoire, arguing that Germans should no longer bear the burden of the Third Reich and should be proud once again of their national heritage. Strauss's criticisms of détente and of Genscher's foreign policy, his support for right-wing dictators who are friendly to the West, and the ongoing CSU-FDP disagreement over the rights of demonstrators and other civil liberties issues are part of this larger approach.

The center-left of the CDU, led by the party's business manager, General Secretary Heiner Geissler, wishes to move the party leftward toward the center in order to appeal to an emerging new group of voters, the young, better educated, "New Technical Intelligentsia," sometimes regarded as the major swing vote in future elections. Arguing that the traditional voter base of the CDU—practicing Catholics, farmers, older women and residents

of smaller towns—is being swept away by changes associated with modernization and a postindustrial economy, this group wants to reshape the CDU's appeal.

Major disillusionment with American policy within the conservative camp was also significant. Strauss, Dregger and others were appalled by what they saw as trends toward the denuclearization and de-Americanization of European security after the Reykjavik summit and the rapid movement to eliminate the Pershing I's and II's. Dregger and others in this group began to talk about the "singularization" of the threat posed to West Germany by the removal of these medium-range missiles because the more than 4,000 nuclear warheads remaining in the Federal Republic were so short in range that they would hit targets only in the two Germanies. They began to look to the French for enhanced defense cooperation as a hedge against what they saw as an increasingly unreliable American ally. This group, however, remained in the minority both within the coalition and within the CDU.⁹

The Christian Democrats have always been a diverse *Volksparlei* (peoples' party) with many regional and personal factions. They based their early appeal on the merger of formerly separate Protestant and Catholic parties and on their government competence. As West Germany has changed, the ties of religion and class have been weakened, and the party has had to face an identity crisis. The weak leadership image of Helmut Kohl as Chancellor reflects these fissiparous tendencies within the party and the coalition at large.

The Christian Democrats will probably remain the largest party in West Germany, at least through the remaining decade of this century. In many respects, the *Zeitgeist* of the 1980's has been more favorable to them than to the Social Democrats. Yet the CDU can no longer rely on its traditional base of voter support but must reshape its appeal to younger voters and to the new middle class of postindustrial Germany. At the same time, it must develop new leaders from the postwar generations to replace those who have dominated the party over the past decade or more. Especially interesting in this regard will be the future of the CSU and of the conservative wing without Franz-Josef Strauss, who (at the age of 71) is in his last years of political leadership. Finally, the CDU must gain more control of the coalition and project a sense of greater decisiveness than it has done so far.

THE SOCIAL DEMOCRATS

In many respects, the problems facing the CDU are minor compared with the identity crisis confronting the Social Democrats. The Christian

⁸Turnout was "only" 84.4 percent of the eligible electorate, the lowest at the national level since 1953.

⁹For an excellent analysis of the mood within this wing of the party see Elizabeth Pond, "Sind Wir Verraten und Verkauft?" *Die Zeit* (North American edition), July 3, 1987, p. 3.

Democrats know they are the largest party in the country, while the SPD achieved that status only in the election of 1972. Since that election, the party has steadily dropped in popular support, in 1987 reaching its lowest point since 1961. And while the CDU/CSU polled very well in the prosperous south, the SPD became increasingly dependent on support in the north and its "sunset industries." It is important to note, however, that the total vote for the left (the SPD and the Greens) was only slightly below Brandt's high-water mark in 1972.

These trends illustrate the party's dilemma. The SPD faces the same problem that all Social Democratic parties face in advanced industrial societies—how to cope with the erosion of its industrial base and with the rise of a new generation with new values and with a new middle, working class.¹⁰

Trends in the membership and voting base of the SPD reflect this postindustrial tendency in West German society. The SPD has become less of a workers' party and more a party of the new middle class, the technical intelligentsia, white collar employees in large organizations, civil servants, teachers and journalists.¹¹ In addition, there has been a generational transformation, as large numbers of younger people entered the party during the years of the student protest movement and the Brandt era (1968–1972).

These changes created two SPD's. One was the party of the traditional Social Democrats, blue collar, unionized, rooted in the culture and politics of industrial society and the Economic Miracle, concerned about economic growth, jobs and social security—the party of Helmut Schmidt. The other SPD was rooted in a postwar generation that took economic growth and security as givens and was more interested in issues of political participation, quality of life and self-actualization. This is the party of younger leaders like Oskar Lafontaine (vice chairman of the SPD and governor of the Saarland) and Gerhard Schroeder (the party leader in Lower Saxony).

¹⁰For clear and concise analyses of this dilemma for the SPD see Stephen Padgett, "The West German Social Democrats in Opposition 1982–86," *West European Politics*, vol. 10, no. 2 (July, 1987), pp. 333–356.

¹¹In the 1950's, 40 to 45 percent of SPD members were working class; by the late 1970's only about a quarter were blue collar while about forty percent were white collar.

¹²A national poll commissioned by the newsmagazine *Der Spiegel* in June, 1988, revealed that the SPD had surpassed the CDU/CSU in public support for the first time since 1973. The poll found that if the election were held next Sunday, 42 percent would vote SPD, 41 percent CDU/CSU, 9 percent FDP and 7 percent Green.

¹³The FDP's membership is currently about 65,000, down from 87,000 in 1981 prior to the coalition shift. This compares with memberships of close to one million for the major parties.

These two SPD's represented two cultures based on very different life experiences and values. The SPD of Helmut Schmidt was inhospitable to the newer groups, who began to drift and then to stam-pede to the Greens in the late 1970's and the early 1980's. After the fall of the Schmidt government in 1982 they began to assert themselves again and to argue for a coalition with the Greens.

The SPD response to these factions since the 1987 election has been to incorporate a number of Green issues on the environment and defense but generally to move toward a position from which a future coalition with the Free Democrats is possible. Hans Jochen Vogel, the leader of the party in Parliament and a candidate for Chancellor in 1983, was a man open to both the right and the left. The leader of the left, Lafontaine, has also taken positions on economic issues that are acceptable to the FDP, and an SPD-FDP coalition was formed at the state level in Hamburg at the end of 1987.

The move back to the center is based on a growing conclusion within the SPD's leadership that the Greens are too unreliable as coalition partners and may be in the process of self-destruction. The continuing rift between the FDP and the CDU over a series of issues also implies that the Liberals may be open to a new coalition in the 1990's.¹²

In addition, the international environment seemed to favor the Social Democrats. The revival of United States-Soviet détente caused divisions within the Christian Democratic party and the CDU/CSU-FDP coalition while it strengthened the SPD, the party still most closely associated with détente in West Germany. Christian Democratic attacks on such SPD initiatives as the "treaties" with the East German Communists and the discussion over nuclear- and chemical-free zones and of "defensive defense" lost much of their bite given the movement in the United States-Soviet dialogue and the continuing initiatives of the Kohl government to improve East-West relations.

THE FREE DEMOCRATS

The Liberals remain the key to any change in the governing coalition. The five percent hurdle and the party's inability to develop a large and stable voting base make elections a question of survival. The FDP can rely on a committed voting base of only about three to four percent and it has a very small membership as well.¹³ The party's member-

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"... Italy's political horizon remains clouded by persistent problems that have defied easy solution. . . . As usual, the Italian scene is plagued by complexities that almost invite the major actors to avoid making hard decisions."

Politics Italian Style

BY STEPHEN HELLMAN

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SINCE 1968, no Italian legislature has run its full five-year course. In 1987, true to form, Parliament was dissolved because of tensions within the governing coalition. Also true to form, when the elections were over, the previous five-party (*Pentapartito*) coalition was reconstructed, and the rivalry between the governing parties continued. But at least some movement occurred beneath the surface of "politics as usual" in Italy. The two major actors and rivals in the *Pentapartito*—the Christian Democrats (DC) and the Socialists (PSI)—improved their standing, but their already small minor coalition partners shrank even further. Bettino Craxi, the PSI's leader, proved he did not need the prime ministership to remain the dominant figure in Italian politics. And while no party gained or lost more than 3 percent of the vote in 1987, an important realignment appeared to be continuing on the left, with unpredictable and potentially dramatic implications for the nation's future. Events in 1988 confirmed the steady rise of the Socialists and the decline of the Communists (PCI).

One of the many ironies of Italian politics is the fact that governments have risen and fallen with such frequency (there have been 45 Cabinets since the creation of the republic following World War II) because of the underlying *stability* of the electorate. This, of course, is also why seemingly tiny shifts in the vote generate such intense interest in the corridors of power. Because of simple arithmetic, electoral stability has led to Cabinet instability. Parties representing roughly 40 percent of the vote have not been acceptable as coalition partners: the Communist party has fluctuated between 25 and 34 percent over the past 25 years, while the neofascist Italian Social Movement (MSI) has garnered between 6 and 9 percent in the same period. With less than 60 percent of the seats in Parliament available to construct a coalition that commands a solid majority,¹ the problems are obvious. A relatively small party like the PSI, until recently stuck at around 10 per-

cent of the vote, is absolutely indispensable for the majority. And even tiny parties like the Liberals (PLI), Republicans (PRI) or Social Democrats (PSDI) can hold the majority hostage, although they currently command between 2 and 4 percent of the vote.

Thus, year in and year out, the same parties and leaders continue to occupy the most important positions of power. Government crises drag on for months not because there is the slightest doubt about which parties will form the next coalition, but because the demands of independently powerful party and faction leaders have to be balanced. These leaders, aware of their own importance, show little reluctance to bargain with (and often to sabotage) the Prime Minister and the governing coalition. The leaders of rival factions within the same party—this has especially been the case for the DC—have no particular reason to remain loyal to the Prime Minister of the moment since they (or one of their trusted collaborators) are likely to replace him after the next Cabinet shuffle.

This continuity has been one of Italy's strengths, but it has inflicted heavy costs on the country as well. Entrenchment in office with no real danger of being displaced has contributed to widespread corruption, especially among the Christian Democrats, who have dominated all coalitions since the war. The extremely heterogeneous coalitions that have governed the country have been unable to articulate coherent programs, and the kind of power-brokering described above creates an extremely fragmented political scene in which all parties (and factions) try to deliver maximum benefits to their own special constituencies. Finally, this rather tawdry spectacle generates high levels of distrust in all parties and politics among the Italian public.

The constant maneuvering for advantage, combined with the striking consistency of voting returns during most of Italy's postwar history, helps explain the exaggerated attention paid to electoral shifts that would pass unnoticed in most other countries. In the early 1980's, the DC was so tarnished by scandals that it was forced to accept a Prime Minister who was not a Christian Democrat (Giovanni

¹In the interests of simplicity, it is easier to ignore several smaller parties like the Radicals or "Greens" (who would be unacceptable as coalition partners).

Spadolini of the PRI) for the first time in the history of the republic. At the time, the PRI represented a bare 3 percent of the electorate. In 1983, when the DC vote plunged from 38 percent to 33 percent, it was a foregone conclusion that Socialist Bettino Craxi, whose party won only 11.4 percent of the vote after gaining barely a point and a half, would form the next government.

What was far less expected was the way in which Craxi would dominate Italian politics once he became Prime Minister. His first government set a record for longevity—it lasted just short of three years—and his second, while less effective, ran through the end of the shortened legislature.² In fact, the 1987 elections were held because Craxi refused to honor an agreement with the DC to give up power before the end of the regular five-year term of Parliament.

After a drawn-out crisis, the elections confirmed Craxi's calculations.³ The Socialists were the big winners, with 14.3 percent of the vote, equaling their best showing over the past 40 years. The Christian Democrats, to the surprise of many, also increased their vote, to 34.3 percent. While this gain put the DC a good four points below its previously stable plateau, it confounded many critics and dispersed the gloom of the previous period of decline and scandal. Yet in spite of this strong showing by the two major parties of the *Pentapartito*, taken as a whole the coalition only gained a single percentage point, for the minor lay parties of the center saw their total decline by nearly three and a half points. These results aggravated the tensions within the *Pentapartito* by intensifying the rivalry between the DC and PSI, on the one hand, and by increasing the insecurity and suspicion of the PLI and the PSDI, on the other.

The other truly dramatic result was the continued slide of the PCI. At 26.6 percent of the vote, it remains the second largest party in the country and it is by far the largest Communist party in the West. But this was the third straight general election in which the Communists lost votes. They now were eight points below their historic high (reached in 1976), and were no better off electorally than they had been 20 years earlier. Most dramatically, in 1976, the PCI had been three and one-half times the size of the PSI; eight years later, the ratio had been cut to less than two to one.

The only other significant development in the 1987 elections was the continued fracturing of the vote among minor parties. A strongly ecological

"Greens" party managed to obtain 2.5 percent of the vote and a handful of deputies, but this was not a notable achievement. It represented only a 1 percent increase over the Greens' showing in the 1985 local elections, although the dramatic nuclear accident in Chernobyl (which profoundly disrupted Italian agriculture and received extensive coverage in Italy for months) had occurred since then. This weak environmentalist showing does not indicate that Italians are indifferent to the environment. In fact, every political party in the 1987 elections made sure it had prominent environmentalists on its lists of candidates.

THE AFTERMATH OF THE ELECTIONS

Although Craxi's actions had paid handsome dividends for the PSI, the leadership of the DC was quick to remind him, in the aftermath of the election, that 34 percent was considerably larger than 14 percent, and that the largest party intended to exercise its right to lead the next government. And in fact Giovanni Gorla, a Christian Democrat with close ties to party secretary Ciriaco De Mita, became Prime Minister. Craxi, shrewdly calculating that he could be more effective if his hands were completely free, stayed out altogether.

Gorla, a young and highly respected economist, represented precisely the kind of modern, technocratic image that De Mita had been trying to project in his effort to modernize his party since assuming the secretaryship early in the 1980's. But Gorla's government was doomed almost from the outset. Only De Mita's personal intervention allowed a *Pentapartito* coalition to be constructed, and it was racked by so much conflict, among the parties as well as within the DC, that it collapsed early in 1988. At that point, De Mita himself felt compelled to assume the prime ministership in order to assert his authority.

What is the source of De Mita's troubles? After making some progress in the wake of the party's stunning defeat in 1983, he soon found himself blocked by factional interests in the party—including some members of his own "left" faction (there are six others, by current count). The major reasons for De Mita's difficulties, ironically, lie in the DC's improved fortunes: as long as the party seemed to be in a tailspin, its local bosses were demoralized and desperate enough to try almost any solutions. But as the situation improved, they dug in their heels and reasserted their prerogatives.

Other factors also worked against De Mita's plans to project a more secular image. Primary among these was the increased involvement of some elements of the Catholic hierarchy and clergy in Italian politics, as well as a resurgence of religious themes among some social groups. Although the

²See Douglas A. Wertman, "Italy's Durable Coalition Government," *Current History*, November, 1986, p. 383.

³For a full account see Philip A. Daniels, "The End of the Craxi Era? The Italian Parliamentary Elections of June 1987," *Parliamentary Affairs*, April, 1988, pp. 258-286.

Christian Democrats have always been much more than a Catholic party, the religious dimension of their policies has tended to be far more pronounced than that of similar parties elsewhere in West Europe. Because the Pope lives in Rome and not in Paris or Bonn, this point may seem obvious, but it is worth emphasizing. The DC is by no means a hostage to the Vatican, but it cannot ignore important doctrinal issues (e.g., divorce, abortion, religious education in public schools), even when its own constituencies are not always of one mind.

In the late 1970's and particularly in the 1980's, Catholic involvement and the reassertion of religious themes in the social and political life of the country have grown. In part, this change reflects the fact that a Polish Pope, whose major interests lie elsewhere, has left Italian matters largely to the Italian hierarchy, and many bishops have found it impossible to avoid involvement in the affairs of their own country, especially when they have seen the DC declining. But another, equally important, factor has also injected more explicitly religious themes into politics, and that is a religious groundswell, especially among young people, that stresses traditional family values, politics free from corruption and, of course, religious devotion. The most successful faction of this group is called Communion and Liberation, and it has become a force in the DC as it aggressively promotes candidates who espouse its values.

De Mita—and any “modernizing” reformer in the DC—thus faces a range of interests and resistance that makes it difficult for the country's largest party to be anything other than a power broker and mediator.

THE PSI

Since the PSI has followed a route similar to that of other Socialist parties in West Europe, and especially in southern and Latin Europe, it is tempting to say that if Bettino Craxi did not exist, someone would have had to invent him. The fact remains, however, that the dramatic turnaround in the PSI's fortunes can be traced directly to the ideas and force of personality of this individual.

Craxi replaced the tired and discredited old leadership with a group of like-thinking younger and more technocratic individuals. He ruthlessly replaced local leaders who did not agree with him, all the while centralizing power in his own hands, systematically bypassing and undercutting the party's already weak local organizations. Showing little concern for the PSI's traditional ideology, he

flirted briefly with a more left-wing posture but rapidly moved toward the center of the spectrum, proclaiming that the PSI was the only “modern” party in the country and the only party able to represent the rising groups who were products of the country's increasingly advanced development.⁴ Yet his attacks on both the DC and the PCI as obsolete remnants of an earlier period produced meager electoral results through the early 1980's.

But throughout this period and particularly during his tenure as Prime Minister, Craxi projected an image of decisiveness that contrasted sharply with the paralysis of the DC and the confusion and disorientation of the PCI. He played on image-making, but his government also confronted thorny political and economic issues (making a number of excellent managerial appointments and forcing the much-weakened unions to make concessions). Craxi also made sure that his supporters obtained positions of power and patronage far beyond his party's relatively small proportion of the vote. All this, combined with the major parties' weaknesses, finally paid electoral dividends in 1987.

And the available evidence suggests that 1987 was not an isolated event: local elections both before and after 1987 have shown dramatic increases for the PSI, increasingly at the Communists' expense. In many areas outside the historic “red zones” of central Italy, where the PCI remains deeply entrenched, the Socialists have drawn even with the Communists in electoral strength. And in both local and general elections since 1985, there is growing evidence that among young people the PSI has become stronger than the PCI, a fact that has profound implications.

All this raises the question of Craxi's long-range goals and whether his conscious avoidance of a specific program will continue to pay off for the PSI. It is not always clear whether Craxi's ambitions lie in the direction of a so-called third force between the DC and the PCI, or whether he sees the PSI as the future dominant force on the left.

In essence, Craxi has played both cards simultaneously, flirting with and attacking both larger parties at the same time. The larger parties' difficulties have provided him with the luxury of ambiguity. They have also drawn attention away from the Socialists' own problems. These include a party structure that has been severely weakened by Craxi's centralizing and autocratic behavior and a cadre of intermediate leaders notable more for their greed and patronage practices than for creative initiatives. If the Socialists continue to grow and become serious contenders for leadership, these difficulties will become increasingly relevant. In fact, an extraordinary congress was called for early 1989 to address some of these issues.

⁴See John L. Harper, “Bettino Craxi and the Second Center-Left Experiment,” Johns Hopkins University Bologna Center, Occasional Paper No. 52 (mimeograph, April, 1986).

THE PCI

In the first seven general elections in postwar Italy, the PCI always gained votes; in the three that have been held since 1979, it has lost steadily. It has not suffered the catastrophic collapse of the French or Spanish Communist parties but, after seemingly weathering the problems of the 1970's and stabilizing at around 30 percent of the vote, it has suffered defeat after defeat in the 1980's. And it has done so in spite of serious efforts to reform and modernize itself and to distance itself from the Soviet Union. Many critics complain that the PCI has not changed enough and that even more radical reforms are called for.

More pessimistic observers argue that the PCI is doomed because there is no longer political space in the capitalist world for an old-style, mass-membership organization. (In spite of serious declines, the PCI still counts 1.5 million card-carrying members.) In fact, one of the most alarming trends for the PCI in the mid-1980's has been its loss of strength and its inability to recruit young people even in the "red" areas where it has been the largest (and governing) party since World War II. For the first time, there is talk of the "collapse" of the party's traditional subculture even in these strongholds.⁵

In the mid-1970's, the Communists came tantalizingly close to national power. With 34.4 percent of the vote in 1976, and with the PSI refusing to join a government that did not include Communists, a standoff was reached in Parliament.⁶ The Communists were included in the government majority, but the DC denied them any Cabinet positions.

The PCI could not capitalize on this opportunity. Following a strategy of "historic compromise" with the DC, the Communists got mired in an endless series of parliamentary maneuvers and alienated much of the support they had so painstakingly cultivated. In 1979, when the PCI tried to force the issue, early elections were called and party support fell by 4 percent. At that point, the Socialists dropped their insistence on Communist participation and the *Pentapartito* was created. The PCI has been floundering ever since, searching for a more modern strategy, trying to stem its membership decline and struggling to avoid being pushed to the margins of the political system.

This struggle has been made difficult by the

⁵Pier Luigi Onorato, "Non solo governo ombra" [Not Just a Shadow Government], *Rinascita*, August 8, 1987, p. 6.

⁶At the time, the Socialists were in a left-wing phase in the aftermath of the very radical social movements of the late 1960's and early 1970's. They were also tired of being attacked from the left by the PCI and the unions. For a very interesting summary of this period, see Gianfranco Pasquino, "Sources of Stability and Instability in the Italian Party System," *West European Politics*, January, 1983, pp. 93-110.

dramatic drop in numbers in the Communists' natural constituency, the industrial working class. As has been the case throughout the industrialized world, industrial workers have declined in number as industry is modernized and growth occurs disproportionately in the white-collar and service sectors. This decline has badly hurt the trade unions, especially those in which the PCI has always been the strongest presence. In addition, the unions have been badly divided politically since the Socialists joined the government in the late 1970's.

Communist problems were compounded in 1984 when the very popular general secretary, Enrico Berlinguer, died during the campaign for elections to the European Parliament. Berlinguer had led the party down the path of the "historic compromise." Such was Berlinguer's popularity that in the ensuing elections, the PCI rode the crest of a sympathy vote, surging to one-third of the total and surpassing the DC for the first (and only) time in the history of the Italian republic.

But the reprieve was short-lived. By the mid-1980's, the party's difficulties had become so unrelenting that the Communists began to abandon their usually cautious patterns. To replace Berlinguer, they had chosen an older leader, Alessandro Natta. This choice was very much in keeping with the party's strong emphasis on continuity with the past and its habit of avoiding abrupt change. But in the wake of the 1987 electoral defeat, the Communists hastened the succession question by electing a vice secretary, something they had done only twice before. They named Achille Occhetto, a much younger leader identified with many of the more dynamic elements in the party. And all this took place in an open and at times heated debate—a very dramatic departure for the PCI. In fact, the final vote in the 250-member central committee saw 41 negative votes and 22 abstentions.

Within a year, Natta suffered a heart attack and resigned his position. Occhetto, who had reconstructed as much unity as possible within the party, became general secretary with the dissent of only a few objectors. But the new leader's first months in office were difficult. Occhetto has surrounded himself with a very young group of collaborators and will undoubtedly continue to move the PCI in a more open direction. But the Communists will have to do more than include women, environmentalists and advocates of gay rights in their lists (as they did)

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Stephen Hellman has written extensively on Italian politics. *His Italian Communism in Transition: The Rise and Fall of the Historic Compromise in Turin, 1975-1980* has just been published by Oxford University Press.

"In 1989, Margaret Thatcher approaches a full decade in office as Prime Minister. She has had an enormous impact on British policy . . . and on the political system. Earlier predictions about her political demise have obviously been greatly exaggerated."

Britain Moves toward 1990

BY ARTHUR CYR

Vice President and Program Director, The Chicago Council on Foreign Affairs

SINCE 1986, under Prime Minister Margaret Thatcher, Great Britain has continued on a course of dramatic domestic reform and, on a selective basis, an assertive foreign policy. During this period, Britain's most notable political event was the general election of 1987, which reconfirmed the long tenure of the Conservative party and the Prime Minister. On June 11, Thatcher became the first Prime Minister of Britain in 160 years to be elected to a third consecutive term in office. The Conservative majority in the House of Commons was reduced, but it remained very substantial. In the 1983 general election, the Conservatives had been returned with a total of 397 seats and a majority of 144. In 1987, they received a majority of 101, and captured a total of 375.

The national election was, in fact, based on a very limited plurality within the electorate. The technical reality of limited support, however, could not overshadow the striking political victory of the Tory party and Thatcher's personal victory. Specific references only compromise, but do not essentially change, this record.

First, the very large Tory majority was based on far less than a majority of the ballots cast by the electorate. The 43.3 percent vote for the Conservatives and their slightly smaller percentage in 1983 were the smallest proportions of their popular vote in victorious general elections since 1922.

Second, the other side of the coin is that support for the opposition parties, Labour and the Social Democratic/Liberal Alliance, was only partially reflected in actual seats secured in the House of Commons. The Labor vote improved compared with 1983, from 27.6 percent to almost 31.6 percent. The Alliance vote slipped marginally, from 25.4 percent in 1983 to 23.1 percent. Together, the two opposition formations garnered approximately 55 percent of the total vote, yet held in total a minority of 251 elected parliamentary seats. The Alliance performance was especially disastrous in this regard; the Alliance secured only 22 seats. The opposition vote was not only divided, but it was also distributed in such a way as to have maximum impact.

Although Labour lost the election, the party and

its leader could take heart from certain encouraging developments. The 1983 Labour campaign had been generally regarded as a disaster, both inside and outside the party. Michael Foot was notably ineffective as party leader; the overall effort seemed disorderly and in disarray; and criticism from various quarters was scathing. Although Foot is a man with diverse intellectual interests, he failed to provide dynamic leadership or to articulate a coherent election theme or approach. By contrast, Neil Kinnock, his successor (and to some extent Kinnock's wife Glenys), were praised for effective, aggressive campaigning. Kinnock's television performance in particular received favorable reviews. According to opinion polls, his personal approval rating went up by 40 percent during the course of the campaign.

Before the 1987 election campaign, Kinnock moved to accentuate his international visibility. In late March, he spoke in New York and met in Washington, D.C., with President Ronald Reagan and other senior officials of the administration. His only serious error during the campaign occurred in the field of foreign policy; Kinnock seemed at one point to accept the possibility of a Soviet military occupation of Britain, arguing that the population would resist through guerrilla warfare. Immediately, the Prime Minister leaped to exploit the opening, adopting a Churchillian posture as she spoke of the absolute need to defend the integrity and sanctity of the homeland.

The Labour party also engaged in more practical, efficient, effective political campaigning in 1987. Labour campaign manager Brian Gould was generally praised in the wake of the election, despite the defeat at the polls. Kinnock's personal appeal was showcased by an overall Labour media effort that was complimented for slick effectiveness worthy of "Madison Avenue." Labour media advisers, for example, substituted the symbol of a red rose for the traditional socialist red flag, thereby eliminating all the revolutionary connotations carried by the flag. In the end, while Labour lost, the comparatively strong showing of the party and the striking improvement in its organization and style helped Kinnock's standing over the short term. This

was certainly true at home, and perhaps abroad as well. The performance of the party weakened prospects for and speculation about a basic realignment in the national political system in favor of the Alliance.

On the other hand, the Liberal/Social Democratic Alliance was beset by diverse political problems and effectively split in the aftermath of the balloting. The Alliance had run very strongly in opinion polls early in the year, by some measures even with or ahead of the Labour party and only slightly behind the Tories. Earlier in the year, the Alliance had won the suburban seat of Greenwich and retained Truro in parliamentary by-elections. As a result, there was renewed speculation in the press and in political circles that the unusual formation, if not yet about to emerge as the second party in British politics, would perhaps perform sufficiently well in a general election to play a decisive role in a "hung" Parliament, where no single party had a majority of House of Commons seats.

Given the expectations, the disastrous result led to even more acute unhappiness in Alliance ranks. The SDP (Social Democratic party) was especially hard hit. Despite party leader David Owen's visible, seemingly dominant, media presence, the party won only five seats in the House of Commons. The Liberals did better, taking 17 of the 22 seats won by the Alliance. The 23 percent of the vote won by the Alliance was a marginal drop from 1983, when the same number of candidates had been offered.

TORY VICTORY

There were several major factors behind the Tory triumph. First, by all accounts, including those of critics opposed to the Prime Minister and her government, the Conservative campaign was essentially though by no means completely effective. The ruling party managed to mount an aggressive campaign, but only after a slow start and some missteps, both organizational and personal, reflecting in part the inevitable fatigue that accompanies long tenure in office.

Initial sluggishness at Tory headquarters gave considerable advantage to Labour and the Alliance by default. While the Conservative party was, as usual, highly organized in the constituencies, there was an uncertainty and a lack of central direction. For example, no individual was in charge of the party's public relations.

Second, the government was strengthened by the comparative prosperity of the economy, especially in the southeastern areas where Tory strength is concentrated. Britain faces major long-term policy problems as a result of a dual economy, with increasingly stark contrasts between prosperity in

England and unemployment in Scotland and Wales. The short-term political effects have been most beneficial to the Conservatives. Yet the continuing tension between the southeast and the rest of the country cannot be ignored indefinitely.

Third, the Labour party, although it may still be failing to generate broad national support, rallied with a far more persuasive campaign than it had mounted in 1983. Neil Kinnock proved far superior to his predecessor as party leader, especially in practical decision-making and organization.

In 1983, the Alliance was helped by the exceptional weakness of the Labour effort. In 1987, it no longer had this advantage. The Labour party—and its leader—was hurt primarily by Labour's formal commitment to unilateral nuclear disarmament. However, the contrast was primarily with the pro-*Trident* Thatcher government rather than with more ambiguous Alliance approaches.

Fourth, the two-headed nature of the Alliance campaign was a disadvantage. Two leaders—Social Democrat Owen and Liberal David Steel—inevitably blurred the image of the third force, symbolically undercut the very firm practical cooperation that had been worked out between the two parties, and raised questions about how power and decision-making would be handled if major House of Commons influence were won.

The perception grew that David Owen was essentially more sympathetic to the Conservatives, while Steel was more favorably inclined toward the Labour party. Members of each party were concerned about allegations about the leader of the other.

The aftermath of the campaign brought turmoil to the Alliance and, especially, to the Social Democratic party. The reaffirmation of the Tory government undercut the third force. There had been a tendency to view Social Democratic party leader David Owen as forceful, decisive and substantial. The comparatively mediocre showing of the Alliance in the general election campaign ended this perception. However, Steel quickly demonstrated the qualities that have made him one of the most durable politicians in contemporary Britain.

In many ways, Liberals reacted true to form to their latest disappointment at the polls. Some took solace in the unfairness of the electoral system. One senior official, reflecting the sentiments of others, complained in the pages of the *Liberal News* that, "Under proportional representation well over 100 Alliance MPs would have been elected." Once the electoral verdict was in, press commentary was predictably critical of the Alliance campaign.

In the midst of this, Steel grasped the initiative and called for a merger of the two parties. Owen, by contrast, went into a temporary retreat, isolated

from public discussion and the debate over the organization's future. Steel was able to seize the spotlight as well as the initiative. Newspaper commentary on prospects for change within the Alliance was extensive. He was assisted indirectly by support for a merger of other prominent SDP personalities, from whom Owen had apparently become alienated. He was also assisted very directly by prominent Liberals, including party president Des Wilson.

During the late summer of 1987, there was a formal vote within the SDP membership. A clear, although not overwhelming, majority came out in favor of merger. A late August conference in Portsmouth ended in a divided party. Owen had already resigned as party chairman on August 6, when 57 percent of the membership elected to endorse negotiations to merge with the Liberals. No one in the SDP seemed encouraged by these events. Roy Jenkins, one of the original four influential refugees from the Labour party who had set up the SDP, was said to be fretting about his own incapacity to head off the "debacle" and the "self-destruction" of the new party. As the summer drew to a close, Owen had left with his own band of supporters, and the rest of the SDP organization was working on the details of a merger with the Liberals. In early March, 1988, the new combined Social and Liberal Democratic party was launched. In each party, over 50 percent of the enrolled members voted on merger referendums, and 87.9 percent of the Liberals and 65.3 percent of the Social Democrats who voted favored the move.

UNION RELATIONS

The Thatcher government has accomplished reforms of labor-management relations that have effectively undercut the trade union militancy characteristic of the British economic scene for more than two decades. On February 5 and 6, 1987, the two largest unions involved in an industrial dispute with News International PLC called off their protests. News International PLC publishes *The Times*, *The Sunday Times*, *The Sun* and *News of the World*. The unions had been opposed to the opening of a projected new printing plant in Wapping, East London. The print union Sogat '82 and the National Graphical Association had been leading a yearlong labor battle, touched off when News International chairman Rupert Murdoch sought to relocate his operations from Fleet Street in London to the new high-technology plant in Wapping. Workers struck to protest the planned elimination of 5,000 jobs; striking workers were themselves dismissed.

Severe economic pressures forced the unions' hand, and there was evidence of a basic lack of solidarity among the workers as well. News Interna-

tional had offered compensation to those workers who would lose their jobs as a result of modernization and relocation, and the offer was renewed February 5. Both main unions lost heavily in the effort; Sogat '82 was forced to spend approximately 50 percent of its assets during the strike.

The unions also faced potentially enormous legal damages. As a footnote, in late September a majority of 700 News International production workers at Wapping voted not to be represented by the Electrical, Electronic, Telecommunications and Plumbing Union, which had been widely criticized by other unions for cooperating with the move to Wapping. Nevertheless, the experience represented a major management victory, with repercussions that reached well beyond Wapping.

NATIONAL CENSORSHIP

In late December, 1987, High Court Justice Richard R. F. Scott rejected a British government request for a permanent injunction against press reports on the book *Spycatcher* by Peter Wright, a former assistant director of MI5 (British counterintelligence). A temporary injunction imposed in 1986 nonetheless remained in effect as a result of the British government's decision to appeal. Scott rejected the argument advanced by Attorney General Sir Patrick Mayhew that reports of the book's allegations would compromise national security.

Spycatcher, which reads as a rambling, edited version of reminiscences dictated into a tape recorder, contains startling allegations concerning the efforts of British intelligence agents to undermine governments and political leaders abroad—and at home. The author is also blunt and scathing in discussing the rivalry between Britain's two intelligence arms, MI5 and MI6. The book's most striking feature is its detailed discussion of specific personalities and actions. The author repeatedly returns to his personal belief that a senior career official was an undiscovered Soviet agent, the much-speculated-about "fifth man" among British government traitors.

Scott reasoned that the book had already been published and that additional press reports would therefore be unlikely to endanger national security. The chief witness for the government, Cabinet Secretary Robert Armstrong, had argued for the absolute protection of security service secrets. Justice Scott responded that such a result, "could not be achieved this side of the Iron Curtain."

During the same period, there were more general developments relating to press freedom. In early December, the government obtained an injunction from the High Court barring broadcast of a BBC (British Broadcasting Corporation) radio program about Britain's security services. The move was dis-

tinctively broad, forbidding the network to refer to any security service operations or to past or present employees. No doubt this was in part a reaction to *Spycatcher*, but it also directly reflects a more general administration attitude.

In early May, 1988, British television officials resisted government pressure and broadcast a documentary concerning the shooting of three Provisional Irish Republican Army (IRA) operatives on the island of Gibraltar. Foreign Secretary Sir Geoffrey Howe asked the Independent Broadcasting Authority (IBA) to postpone the program until after an official investigation into the controversial circumstances surrounding the killings. The IBA chairman, Lord Thomson, declined the request. Prime Minister Thatcher entered the debate in characteristic fashion, denouncing the program for endangering "the rule of law."

On May 16, Sir William Rees-Mogg, a former editor of *The Times* and vice chairman of the BBC, was named to head the newly created Broadcasting Standards Council. He had been chairman of the important Arts Council. Rees-Mogg argued that the television industry had to control sex and violence or be controlled far more stringently by the government and said he would seek statutory authority if necessary. He also said that he wanted the council to preview foreign films in advance, and cited the film *Rambo* and the television program *The A-Team* as productions that the British people should be spared. Labour MP's immediately criticized this approach. Roy Hattersley, party spokesman on home affairs, said such moves would be "wholly unacceptable."

In early March, 1988, the Prime Minister presented a new plan for Britain's inner-city areas. Trade and Industry Minister Kenneth Clarke was appointed to coordinate the program. The government earmarked £3 billion in spending that was already budgeted, including £250 million to be diverted from other programs. At the press conference at which the program was announced, the Prime Minister indicated that she could not "say precisely how much new money" was being directed toward city problems. The Tory undertaking was labeled "Action for Cities," to include two new road construction schemes, anticrime initiatives, new rules requiring local councils to sell vacant land and a revised urban development system to reduce the role of local councils.

The Labour party was quick and energetic in denouncing the plan as nothing really new. There were complaints that the initiative was announced at a press conference rather than in the customary forum, the House of Commons. Labour spokesmen charged that no real new money was involved, no genuinely new proposals were included, and the ef-

fort was really a stopgap attempt to respond to Labour criticism.

The Economist editorialized in July, 1988, that the government was engineering the "biggest shakeup of local government . . . in centuries." This included the bill passed in March for competitive tendering for local services, the poll tax passed in July, and the nearly completed housing bill. In addition, the government was actively pursuing educational reform that would permit local schools to "opt out" of direct control by local authorities. According to the Conservative reforms, local government will be encouraged to turn council housing—a well-established program of subsidized dwellings—over to the private sector. For many years, reformers have argued that council housing has represented a welfare program to benefit the middle class much more than the poor. The poll tax, a flat rate payable by all adults in a given district, will be introduced in 1990.

Broad economic indicators were generally encouraging in 1988. In late May, the government reported that the gross domestic product, adjusted for seasonal and inflation factors, grew 2.5 percent from the previous quarter and was up 4.6 percent from the same period in 1987. Unemployment fell below 2.5 million, or 8.8 percent of the work force, for the first time in more than six and one-half years. The number of long-term unemployed, those out of work for at least 12 months, fell to 1.03 million in April, a 20.5 percent decline from the year before. In April, the government reported a budget surplus, the first since 1969–1970. On the other hand, the British current account deficit was £2.4 billion during the first four months of 1988.

The budget surplus was achieved in part through receipts from "privatization," the Conservative government's sustained efforts to sell off assets. By the middle of 1988, the focus was on railroads, following initiatives to sell national gas, airports, telecommunications, electricity and steel.

THE FUTURE

In foreign as in domestic policies, Prime Minister Thatcher showed consistency and firmness. The government remained committed to purchase and deployment of the very expensive *Trident* strategic submarine force from the United States to replace the aging *Polaris* system; "Fortress Falklands" remained a financial drain and a symbol of British military prowess and diplomatic commitment;

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"... moderation and pragmatism and the PSOE's [Spanish Socialist Workers' party's] movement away from socialist orthodoxy have made reassessments of socialism in Spain very timely. . . . After years of economic 'crisis,' Spain has definitely turned the corner . . . [And its] democracy is very stable."

Spain: Pragmatism and Continuity

BY ROBERT E. MARTÍNEZ

Executive Assistant to the President, The Business Roundtable

THE parliamentary elections of June, 1986, signaled notable changes in the relative strength of Spanish political parties and marked the continuity of a successful and well-consolidated democratic society.* Government in democratic Spain has been stable and relatively strong despite the continuing tremors that have jarred the political system.

The Spanish Socialist Workers' party (PSOE) came to power after the disintegration of the centrist Union of the Democratic Center (UCD), which had led Spain through its delicate transition to democracy, and after the UCD's debacle in the October, 1982, general election. Winning 202 of the 350 parliamentary seats in 1982, the PSOE achieved the first absolute majority ever in the new democracy. In addition to its control at the central level, in the early 1980's the PSOE came to power in 13 of Spain's 17 autonomous regions.

Although they fell to 182 seats in the 1986 elections, the Socialists maintained a comfortable absolute majority. However, their vote share had fallen by over four percent. Almost 1.5 million fewer people voted Socialist in 1986 than in 1982. The past two years have witnessed a continued erosion in the PSOE's level of electoral success, down from its near-hegemonic position during the 1982-1986 period to one of "mere" dominance within the party system. While much can change before the next general elections in 1990, the Socialists will have to run harder to stay in place.

In 1987, the erosion in PSOE support continued. Triple elections were held in June, 1987, to choose the governments in 13 of Spain's 17 autonomous regions (except for Catalonia, the Basque country, Andalusia and Galicia) and to elect municipal officials and members of the European Parliament.

*The views expressed are the author's alone and not those of the Business Roundtable. The author gratefully acknowledges suggestions made by Professor Rafael Pardo Avellaneda of the Universidad Complutense de Madrid.

¹The Socialists won 28 of Spain's 60 seats in the European Parliament. They had been allotted 36 at the time of Spain's accession in January, 1986. AP won 15 seats.

For the first time since its sweep to power in 1982, the PSOE vote share fell below 40 percent.

Usually it is misguided to interpret local and regional elections in the same way that one would evaluate a general election. Many voters are willing to take more "risk" at the local level. Others are willing to send a signal to a party, in this case the PSOE, that they would still support in general elections. Nevertheless, had the 1987 elections been parliamentary, the Socialists would have lost their absolute majority, although no other party would have offered a viable alternative. The PSOE received 37 percent of the vote at the municipal level, a significant decline from its 43 percent share in the elections of May, 1983.

The major opposition party, the conservative Popular Alliance (AP), also suffered a decline in vote share, dropping from 26 percent in the 1983 municipals to 20 percent. The United Left declined from 8 percent to 7 percent, while the Social Center party (CDS) jumped substantially, from 1 percent in 1983 to close to 10 percent in 1987.¹

Despite the significance of the erosion in PSOE control, the party remains well positioned to maintain its dominance. A strong proportion of the Socialists' amazing durability is attributable to the fact that they are the only major state-wide party that has not experienced any significant internal fissure since the transition to democracy. In 1982, the once-governing UCD, which was more a coalition of liberals, social democrats, Christian democrats and conservatives under a populist rubric than it was a "party" per se, self-destructed and disappeared. The UCD had occupied the center/center-right political space and had earlier competed with the PSOE for dominance of the center, which represents a large proportion of Spanish voters.

On the PSOE's left, the Spanish Communist party (PCE) managed to halve its small but important parliamentary representation because of internal rifts in the early 1980's between traditional leader Santiago Carrillo and a younger leadership. Somewhat incongruously, Carrillo, who had played an important role in moderating Communist demands

during the construction of the constitutional system and who was probably Europe's most adamant and consistent euro-Communist, attempted to maintain a rigid, more disciplined order within the PCE. His critics, while to his left ideologically, were pushing for a more open party.

After failing to increase its vote share in 1986, the Popular Coalition, composed of the conservative AP, the Democratic Popular party (PDP) of former UCD leader Oscar Alzaga, and the Liberal party (PL) of business activist Antonio Segurado, also began to unravel. The coalition's vote share had declined by only 0.3 percent to 26.2 percent in 1986 from 26.5 percent in the 1982 elections. Nevertheless, Alzaga immediately removed his PDP deputies from the coalition's parliamentary group and incorporated them into the Parliament's "mixed group" (nonaffiliated, underthreshold). Alzaga and others on the right felt that the coalition, perhaps because of the Franquist-tainted image of its leader Manuel Fraga, had reached its absolute "ceiling" of support.

Some critics contended that the coalition's self-positioning would permanently deny it the ability to govern. Others believed that removing Fraga was essential. Some hardliners within AP, the leading coalition party, argued that Fraga's willingness to make major pre-electoral concessions to the PDP and the Liberals, according them substantial prominence on combined electoral lists, had been a mistake.² Opposing views regarding Fraga's leadership and the coalition strategy have contributed to major disputes within AP (to which must be added an element of *personalismos*, perhaps somewhat understandable in light of the short duration and continuing evolution of the party system). Following electoral misfortunes in the November, 1986, elections to the Basque autonomous government, Fraga himself stepped down as party leader.³

At its special party congress in February, 1987, AP chose 35-year-old Antonio Hernández Mancha, head of the AP in Andalusia, to succeed Fraga as AP president, essentially signaling its intention

to move toward the center and to break its image as a continuer of the Franquist legacy. However, Hernández Mancha has yet to be perceived publicly as a strong leader. Strife continues within the party, and the leadership question may resurface before the 1990 elections.

Fraga will reemerge as a player given his intention to run for the presidency of the Galician autonomous government, the Xunta, in 1989. Although the Xunta is currently led by the PSOE's Fernando González Laxe, he depends on the support of regional parties, and Galicia otherwise remains an important AP base of support.

BASQUE AND CATALAN ELECTIONS

Besides triggering Fraga's departure from the AP's presidency, the Basque electoral results of November, 1986, reflected continued growth in the overall strength of Basque parties and the diminution of state-wide parties in the region, along with further fragmentation of the regional party system.

The growth in the share of votes going to parties limited to the Basque region has increased consistently over the course of all the general and regional elections since the first general elections in 1977, with the single exception of the June, 1986, general elections. Only in the first, the 1977 general elections, did state-wide parties outpoll Basque parties. In the November, 1986, regional elections, the latter garnered more than twice the number of votes going to state-wide parties.⁴

Terrorism, bloodshed, extortion and kidnappings continue to mar the Basque region and often spill into other parts of Spain. Attempts by the PSOE government to negotiate with ETA (Basque Homeland and Liberty) at the beginning of 1988 were interrupted in February by the kidnapping of Emiliano Revilla, a wealthy Basque industrialist who continues to be held at the time of this writing.

The government has recently been accused of using secret funds to underwrite the activities of anti-ETA vigilantes connected with the police. The alleged existence of such funds has opened a partisan debate on the government's clandestine dealings and on its constitutional authority in covert action.

The Catalan party system experienced only minor changes in the regional elections in June, 1988. Jordi Pujol's Convergence and Union (CiU), a coalition of nationalists, conservatives and Christian democrats, reemerged with its absolute majority somewhat eroded, but still intact. The Socialists strengthened their representation by one seat; AP lost over one-third of its vote share.

The disappearance of the UCD in 1982 left the political center effectively occupied by the PSOE. The PCE split on the PSOE's left flank has meant that the Socialists have been able to chart a course of

²Spain does not have single-member constituencies and uses the D'Hondt electoral system, under which seats are allocated on the basis of lists of candidates and the use of the "highest average." When a seat is allocated to a given party, it is awarded to the person next on the party's list. Along with the existence of many small districts, the D'Hondt system serves to penalize all but the largest party or the two largest parties in each district. On the electoral laws and party location in the political "space" see Richard Gunther, Giacomo Sani and Goldie Shabad, *Spain after Franco* (Berkeley: University of California Press, 1986).

³In the Basque elections, the Popular Coalition lost 5 of its 7 seats in the Basque Parliament and halved its share of the vote (to under 5 percent) vis-à-vis its showing in the 1984 regional elections.

⁴*El País*, December 8, 1986, p. 14.

relatively moderate foreign policy and liberal technocratic economic and social policy without losing support on the left. On the right, to date, AP (or the Popular Coalition) has been publicly perceived as occupying a position too far to the right to appeal to important segments of the electorate.

In the 1986 campaign, the well-financed centrist effort led by Catalan Miquel Roco failed miserably, not gaining a single seat. However, former Prime Minister Felipe Suárez CDS achieved a respectable increase, to 19 seats, up from 2 in 1982. While it remains to be seen how successful the charismatic Suárez will be, his party did relatively well at the local and regional levels in 1987. The PSOE has moved so far to the right in its economic policies that it may face an important challenge from the populist Suárez on social issues.

The Socialists have not yet reached a new bilateral agreement with the United States and are forcing the removal of the 72 United States F-16's stationed at Torrejon Air Base, outside Madrid. However, they have more firmly tied Spain to NATO (the North Atlantic Treaty Organization), to which they now refer by the publicly more palatable "Atlantic Alliance," and government leaders have supported the maintenance of a United States nuclear deterrent elsewhere in Europe (as a bargaining chip against the Soviet Union). Consistent with the nonbinding March, 1986, referendum on NATO, Spain remains outside the organization's military command. However, the Spanish are exploring means of participation in some type of united European military effort and are studying French-German cooperative arrangements.

The United States-Spanish bilateral agreements allowing for the stationing of United States personnel lapsed in May, 1988, and renegotiation has not yet been achieved. The stumbling block has been Spanish insistence on an explicit prohibition in a new agreement against the introduction of nuclear arms onto Spanish territory. However, the Spanish government appears divided. The Foreign Ministry is relatively adamant. The Defense Ministry appears more pragmatic, willing to negotiate a face-saving compromise. No one in the government expects a denouement à la New Zealand. Technically, without a new agreement, the bases would have to be dismantled in 1989.

In the foreign policy arena, the Suárez UCD governments were markedly more ambiguous about Spain's location on East-West issues and more vocal in using third world rhetoric abroad.⁵ González has

tried to make Spain "European" in every sense: economic, social and political. Indeed, foreign policy is another area where Suárez may be able to exploit a more leftist populist rhetoric to contrast CDS with the PSOE's middle course. However, recent opinion polls (July, 1988) show that although the government party has suffered a marked decline in popularity, no other party is rising to replace it. Felipe González remains Spain's most popular public figure.

The long tenure of PSOE party rule is giving rise to the contention advanced by other parties and some business organizations that the government is building an important public patronage network. Some observers have alleged that a significant number of those entering public service in recent years have been hired without meeting competitive entry requirements.⁶ Very recently, some former government officials have set up consulting practices essentially dependent on their inside contacts, a phenomenon very common in Washington, D.C., but much less usual in Madrid.⁷

CAPITAL, LABOR AND ECONOMIC POLICY

Spain achieved a 4.5 percent real growth rate in its gross domestic product (GDP) in 1987 and its GDP is expected to grow by over 4 percent in 1988, double the European Community (EC) average. Corporate profits may rise about 25 percent in 1988, on top of their 30 percent increase in 1987. Perhaps the policy area marked by the greatest degree of pragmatism on the part of the Socialist government (and the area in which it has received the most vigorous criticism from its own left) has been in the economic realm. The economic austerity of "Super Minister" Miguel Boyer (former minister of economy and finance) during the first Socialist term has given way to an emphasis on growth, at the expense, Socialist critics declare, of progressive social policy. While Spain has been enormously successful in achieving macroeconomic objectives, there have been important social costs.

The past several years have witnessed a rapid expansion in output and rising consumer demand, which has led to important increases in import growth. Inflation remains relatively low; the peseta is strong and is probably slated to become stronger; and integration in the EC has led to substantial shifts in the complexion of Spanish trade. Thanks to continued and steady huge inflows of foreign long-term capital, official reserves stood at \$38 billion in mid-1988, nearly three times the level of 1985. In 1987, for the first time these reserves exceeded the level of external debt, which has slowly been declining since 1983-1984. The growth in long-term capital inflows is a reflection of the attractiveness of Spain to foreign investors, but is consistent with of-

⁵This was not true for the UCD government of Leopoldo Calvo Sotelo, which took Spain into NATO.

⁶*El País*, August 3, 1988, p. 14.

⁷Gonzalo San Segundo, "El Dinero, la nueva furia de los españoles," *Cambio 16*, August 15, 1988, p. 15.

ficial policy encouraging liberal views toward such long-term operations.⁸

Spain is exceedingly well placed for the changes Europe is undergoing as it approaches the 1992 development of the "internal market," and maximizing Spain's fortunes by focusing on the EC is one of the PSOE government's primary economic objectives. The Single European Act (SEA), adopted by EC governments in 1985, is much discussed, as are objectives for Spain's coming assumption of the "presidency" of the EC, which it will hold for the first six months of 1989. The SEA mandates that most of the 300-odd targeted directives, measures that have been identified as necessary to "unify" the European market, be established in law by "qualified majority voting" among the European ministers rather than by unanimity, as has been the customary European procedure.

Rapid economic growth has led to the creation of an emerging entrepreneurial class and revitalization of the portions of the business sector (as it has also largely closed off any future to other more traditional or highly protected sectors). In sociological terms, the phenomenon of widespread disinterest or lack of prestige accorded to business as a profession appears to be changing among young professionals, particularly in those regions better positioned to take part in the growth, such as Catalonia.

Unemployment has been persistent and high, standing above 20 percent in April, 1988. Although unemployment has eased somewhat over the past two years, down from 22 percent in 1986, as significant numbers of new jobs have been created, Spain's unemployment rate remains the highest in the OECD (Organization for Economic Cooperation and Development). Spain's high unemployment is accompanied by very low levels of active labor force participation. Unfortunately, the social costs of massive unemployment are aggravated by the very low levels of coverage under unemployment benefits. In mid-summer 1988, only 26 percent of those unemployed were receiving unemployment benefits.⁹

González's perceived dismal performance in job creation and the years of severe state-sponsored "re-industrialization," with its concomitant reductions in work force through the easing of strongly restrictive dismissal policies for designated industries, have led to a significant rise in the number of labor conflicts and to major internal PSOE disagreements as the Socialist UGT union has strengthened

its resolve to oppose vocally what it perceives as anti-employment or anti-union labor policies. Criticism from the PSOE's left has been particularly virulent, given the PSOE's electoral rhetoric in 1982 promising that unemployment would be reduced by 800,000 jobs over its first four-year tenure. The government maintains that it has, in fact, created many jobs, but that until recently the number of jobs destroyed exceeded those created.

Fortunately, in the recent past, this pattern appears to have been reversed, but Spain remains only at the start of a turnaround. In 1987, 370,000 new jobs were created, but the labor force grew by 350,000. This quick response in the supply of labor to job creation may in part reflect the existence of a large submerged economy, which may serve to lower social costs. Another factor mitigating the social costs of stubborn and high unemployment is the continuing strong Spanish family structure. Underemployment is also masked in the high 17.6 percent of the employed labor force in agriculture that produces only 6.2 percent of GDP.

Boyer's austerity reforms during the first Socialist government, with its clamping down on wage growth, succeeded in breaking a natural policy tendency favoring inflation. In the early years of the transition, controlling inflation was seen as a priority needed to help stabilize the fledgling political system. The 1977 Moncloa Pacts, signed by the major political parties, were the first attempt to reach consensus on what constituted reasonable targets for wage negotiations and inflation. These important political agreements at the start of the democratic period were superseded by broad agreements on wages and employment practices signed by the labor unions and the leading employers confederation, the CEOE (Spanish Confederation of Employer Organizations).

Beginning with a preliminary, sketchy agreement on collective bargaining and industrial relations signed by the CEOE and the UGT in July, 1979, a series of top-level agreements on bargaining and wages among employers, workers and, sometimes, the government, have framed Spanish industrial relations (with some lapses of varying duration). The widely preceived success of the 1980 AMI (Interconfederal Framework Agreement), signed by only the CEOE and the Socialist UGT, may have contributed to the strengthening of the

(Continued on page 389)

⁸Organization for Economic Cooperation and Development, *OECD Economic Surveys: Spain* (Paris: OECD, 1988), pp. 7, 21, 56.

⁹Instituto Social de Estudios, *Diez años de política social 1977-1987* (Madrid: Instituto Social de Estudios, 1988). The institute is affiliated with the UGT.

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"The frequent changes in government philosophy during the 1980's have tended to introduce confusion into France's economic policy. . . . Thus, in the economic as well as the political arena, contemporary France seems uncertain of itself and is still floundering under a President without a project."

France: The Politics of Ambiguity

BY MICHAEL M. HARRISON

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DURING the 1980's and particularly since the beginning of the presidency of François Mitterrand in 1981, France has undergone a number of political changes that mark the end of the stability and continuity of the 23 years of what might be called the "Gaullist era." The year 1981 demonstrated that the 1958 constitution could survive a shift in power from center-right to the left, as the Socialist party captured both the presidency and an absolute majority in the National Assembly. The period 1981-1983 was also notable for the radical economic policies of the left, including massive nationalizations, which seriously damaged the French economy. The final three years of that period of socialist rule, from 1983 until 1986, signaled the onset of the more conservative and more realistic policies of the left that now characterize the socialists.

From March, 1986, until June, 1988, France experienced a remarkable experiment in government during the period of "cohabitation." Mitterrand remained President, but the center-right led by Jacques Chirac captured the majority in the National Assembly and formed a government whose policies were largely incompatible with the perspectives of the socialist President. This situation, imposed and supported by French voters, worked well enough under the circumstances but at times seemed to paralyze the operation of French institutions—or at least to undermine the coherence of central government policies. It was, then, to general relief that in 1988 "cohabitation" ended with the reelection of Mitterrand for another seven-year term, while the legislative elections in June allowed the Socialist party to form a government compatible with presidential priorities. What was not clear in 1988, however, was how stable this minority socialist government would be, or whether it would pursue coherent and distinctive policies rather than simply muddle through. Perhaps the major lesson of the years since 1981 has been that the French, right or left, no longer have a great national design; this situation—unusual in French history—lends a

certain ambivalence to the contemporary political scene.

After five years of socialist rule, the legislative elections of March 16, 1986, brought the center-right back into power. The center-right secured 291 of the 577 seats in the National Assembly—the Gaullist *Rassemblement pour la République* (RPR) winning 147 deputies while the centrist alliance, *Union pour la Démocratie Française* (UDF), won 144. The socialists were reduced from 285 seats (in 1981) to 215, while to general consternation the ultra-right *Front National* of Jean-Marie Le Pen sent 35 deputies to Paris. The victory of the center-right may be considered a normal political sanction against the socialists, whose economic policies had failed or were at least generally considered unsuccessful—although the conservative turnaround in 1983 had been widely approved.

The problem created by the center-right majority in the National Assembly was that the socialist President still had to serve two years of his term and could not be expected to support the policies of Jacques Chirac and his supporters. Faced with the new situation, however, Mitterrand acknowledged that he had to confirm the voters' decision and appointed a center-right government under Chirac. During the two years of "cohabitation" that followed, the President took a somewhat lower profile in French politics and limited his opposition to Chirac's policies to often oblique criticism or refusal to sign Cabinet decrees.

None of this obstructionism really undermined the powers of the government, however, which was able to pursue its own program of economic liberalism. Under the Fifth Republic constitution, the President retained a certain precedence in the management of foreign and defense policy, although a novel situation arose in which the Prime Minister claimed and exerted a certain authority in these areas as well. Thus, Chirac insisted on accompanying Mitterrand to the Tokyo summit in 1986 and took the lead in foreign policy areas, including French-Iranian relations.

During Chirac's term as Prime Minister administration policies did not break with previous socialist programs; rather, they were a continuation of efforts to modernize the economy while limiting some of the social benefits that had proven so costly. Thus, the government sought to slow the growth of salaries, to continue reductions in the budget deficit, and (after an initial devaluation) to steady the value of the franc. One of the major initiatives of the center-right was the planned denationalization of the banks, the insurance companies, one of the television networks (TF1), and firms taken over by the state under the socialists, as well as the privatization of some sectors that had moved into the public domain as early as 1945. This program was not really very controversial in a country where the idea of reducing the interference of the state in the economy had made progress on both the right and the left; however, the program was so fragile that the stock market crisis of October, 1987, caused a slowdown in privatization.

The other "liberal" economic measures taken by Chirac included the lifting of price controls, the removal of restrictions on the firing of employees, the reduction of state subsidies to industry, the institution of lower tax rates for both individuals and firms, and the end of state control over the rationing of credit. Apart from these important economic policies, the center-right focused its attention on the problems of security that preoccupied the French public; the measures taken were intended to lower the crime and delinquency rates, control domestic and international terrorism aimed at France and, it turned out, restrict immigration (primarily Arab) and some of the civil rights of immigrants.

It is difficult to render a definitive judgment on this period of cohabitation. Although it is certainly feasible under the Fifth Republic constitution, it is an anomaly to have the President and the government represent different majorities. The logic of the constitution is that the President sets the broad priorities and the government implements them. This was basically the position of former Prime Minister Raymond Barre, the major figure who was openly opposed to cohabitation and who felt that the President should have resigned in 1986 because he had lost his majority in the legislature.

On the other hand, both Chirac and Mitterrand saw advantages in making the uncomfortable situation work for two years. Cohabitation allowed Mitterrand to keep a certain authority while distancing himself from the day-to-day operation of the government—a position above the fray that, it turned out, increased his popularity and ultimately allowed him to win another presidential election. For Chirac, his time as Prime Minister allowed him to try to establish his credentials as a national leader

and to position himself as the top presidential candidate of the center-right. By 1988, however, Mitterrand had reaped more profit than Chirac from the situation and the former's victory in the presidential election allowed a now moderate socialist left to return to power in France.

THE LEFT BACK IN POWER

The presidential election scheduled for 1988 was held in two rounds on April 24 and May 8. There was a proliferation of candidates for the first (elimination) round, some more important than others. The ecologist Antoine Waechter was a young and refreshing voice in the campaign, although the French have never cared very much for this sector of the political spectrum. Other "leftist" candidates included Arlette Laguiller, whose radical program was certainly out of touch with public opinion and reality, and Pierre Juquin, a dissident Communist who ran a generally intelligent but hopeless campaign.

The official representative of the French Communist party in the elections was André Lajoinie, president of the party's parliamentary group. His program was typical of a party that has been increasingly marginalized in French politics, stressing social assistance for the poor and cutting defense by 40 billion francs a year. The Communist campaign was undistinguished and aimed only at holding off the party's decline, while Lajoinie himself obviously would have been more at home on a factory floor than in the Elysée palace.

The final candidate from other than the major political groups dominated the campaign in many ways. He was Jean-Marie Le Pen, head of the *Front National* and leader of the revival of the extreme right in France. After an impressive showing in the 1986 legislative elections, Le Pen could reasonably hope to do well in 1988 despite polls showing that nearly 80 percent of the population had a negative opinion about him. His campaign stressed the interests of the so-called "little man" against the establishment and played on a major preoccupation of the French by attacking the crime rate and linking it with the large number of immigrants (primarily Arab) living in France. Le Pen's proposal to repatriate immigrants with irregular jobs or those who were unemployed found some public support, while his anti-immigrant stance was especially popular in areas like Marseille, where the Arab population has expanded remarkably in recent years. Because the three major candidates failed to develop interesting and provocative programs of their own, Le Pen's extremist views tended to set the tone of the presidential campaign, forcing his competitors to react and define their policies in relation to Le Pen.

The three major candidates in this election were the centrist and former Prime Minister, Raymond Barre, the Gaullist Jacques Chirac, and the incumbent President, François Mitterrand. Although it had been clear for several years that both Chirac and Barre would enter the race, Mitterrand adopted what turned out to be a successful tactic and waited until the last minute (March 22) to confirm his candidacy for a second term. Of the three candidates, the most curious proved to be Barre, who had been one of France's most unpopular Prime Ministers under Valéry Giscard d'Estaing, but who won high ratings in the polls in 1986 and 1987, with the turn toward economic austerity. This professor of economics proved to be a poor campaigner, however, and he ran too sober an electoral effort to impress the voters. Barre proved to be unimpressive on television — a costly failure in an age when media image dominates politics in France as well as in other Western democracies.

Barre's failure to undermine Chirac's leadership of the center-right meant that the election was primarily fought between the Prime Minister and the President. In contrast to previous similar elections in France, there was no great battle of grand design although the two men presented distinctive, if vague, programs. Mitterrand limited his public appearances in order to reinforce his image as less "political" and partisan than the ambitious Chirac. He also presented a 50-page electoral platform that was purposely ambiguous on a number of points, but stressed Mitterrand's commitment to European unity and to social justice for all (including immigrants).

This program did not especially impress the voters, who nevertheless felt more confident with Mitterrand at the Elysée than they might have been with the somewhat discomfiting Chirac. The latter ran his customarily energetic campaign but failed to give the impression of calm dignity that the French seemed to want in their President (and found in Mitterrand). Chirac's program represented a continuity with the policies of the previous two years, promising to accelerate the turn to economic liberalism and, in competition with Le Pen, to harden the crackdown on illegal or undesirable immigration.

As anticipated, Mitterrand and Chirac were ahead in the first round of the election; the former gathered 34.09 percent of the vote while the latter received only 19.94 percent. Raymond Barre received a disappointing 16.54 percent, and immediately threw his support to Chirac, although many "Barrists" voted for Mitterrand in the second round. The surprise of the election was the strong support for Le Pen, who took 14.39 percent of the vote, well above the predictions of the press and the

polls. Although both Barre and Le Pen were out of the race in a system that allows only the top two to contest the second round, the contest between Chirac and Mitterrand was in many ways a competition for the voters approving the two who had been eliminated. Also in the first round, the Communist Lajoinie received the mediocre score of 6.76 percent, confirming the now apparently irreversible decline of this once large party. The other figures in the campaign received negligible scores.

In the second round of the presidential election, there were no surprises, because Mitterrand had already achieved a clear advantage over Chirac that the latter was unable to undo. The two candidates held a television debate that was rather tame, although there were some sharp exchanges over the treatment of terrorists — with Chirac accusing Mitterrand of being lax because he had amnestied some members of the terrorist group *Action Directe* at the beginning of his term. None of this changed the expected election result. Mitterrand won easily with 54.01 percent of the vote, while Chirac failed to overcome his disadvantages and got only 45.98 percent.

The victory of the now moderate socialist Mitterrand ended the period of cohabitation; the center-right Cabinet resigned and a new government of socialists and some centrists was created with socialist Michel Rocard as Prime Minister. The National Assembly was dissolved on May 14, and a legislative election was scheduled for June 5 and 12, 1988.

Rather than the party list system instituted by the socialists for the 1986 legislative elections, in 1988 elections were held under the single-member district, two-round regime that has prevailed during the Fifth Republic. The campaign itself was unremarkable. The parties of the center-right formed an electoral coalition called the "Union du Rassemblement et du Centre (URC)." In 536 of the 554 metropolitan constituencies, there was only one center-right candidate in the first round; in 18, there was a sort of "primary" between the Gaullists and centrists to determine who would face the left in the second round. The Communists continued to be on the margin of mainstream French politics and the Socialist party hoped to profit from Mitterrand's victory and once again to acquire the absolute majority that had been lost in 1986.

A major theme of the socialists was developed by Michel Rocard, who had been appointed Prime Minister of a minority government for the interim between the elections. This theme stressed the socialist desire for an "opening" to the center, which many interpreted as a return to the politics of the Fourth Republic, when the left and the centrists formed governments together. In pursuit of this

goal, the Rocard governments have included some left-leaning members of the UDF. Mitterrand's new design, then, was to encourage the fragmentation of the UDF and create a new center-left majority that might be able to govern France.

The first round of the elections was notable for the high number of nonvoters (34.25 percent) and a turnaround in the fortunes of the Communists, who obtained 11.31 percent in this round. In general, however, the left's performance was disappointing, because the socialists won only 34.76 percent of the votes, well below their goal of 40 percent. The RPR and UDF did well, with 19.18 percent and 18.49 percent of the vote, respectively. The main tactics of the center-right after this round were to mobilize the abstentionists and to appeal to the voters of the *Front National*, which had been virtually eliminated from competition with only 8.8 percent of the first round of votes. There were, in fact, some arrangements made for discreet second-round support between the *Front National* and the URC, while in some constituencies the Communists and the socialists also reached an accord leaving only the best-placed of their two candidates in the race.

The results of the second-round elections were indecisive and left France with no real political majority in the National Assembly. The Socialist party and its allies led the other parties with 48.66 percent of the vote, the center-right won 46.83 percent, while the Communists ran behind at 3.42 percent. These results meant that no party or alliance dominated the National Assembly, since of 577 deputies the socialists had only 276 deputies while the UDF and the RPR together had 258 deputies. The Communists were reduced to 27 members, while the *Front National* was left with only one deputy. Although Michel Rocard reconstituted a socialist government with some participation on the part of the center-left, the conclusion to be drawn from the situation was that, after one period of political ambiguity under cohabitation, France had entered another period of uncertainty in its once stable political system.

THE ECONOMY

The 1988 presidential election was more a contest of personalities than issues, although security and the immigrant question did preoccupy the public and played important roles in the campaign. The fate of New Caledonia and its independence movement also figured in the election. Defense, however, has not been a topic of serious debate in France since 1981, because the socialists essentially pursued the policies established by President Charles de Gaulle—especially the emphasis on the independent nuclear force and France's autonomy from NATO (the North Atlantic Treaty Organization).

The defense budget has been kept at nearly 4 percent of gross national product (GNP), while problems such as whether or not to construct a nuclear aircraft carrier are more technical and budgetary than political.

Probably the major development in the defense field has been the acceleration of Franco-German cooperation, including joint maneuvers and the planned creation of a binational field unit. How concrete this cooperation may become—it has been mostly rhetoric until now—was an open question in 1988. For a number of years, the major preoccupation of the French has been, directly or indirectly, economic. In particular, unemployment and job training were cited as critical by voters in 1988 and themes like "the decline of France" have interested intellectuals for several years. Indeed, French economic performance has lagged behind that of comparable European nations. From 1966 to 1979, the French economy grew at an annual average rate of 4.3 percent, versus 4 percent for Italy, 3.4 percent for West Germany, and 2.4 percent for Britain; yet in the 1979–1987 period, the French economy grew by only 1.6 percent a year, behind both Britain (1.8 percent) and Italy (5.5 percent), but slightly ahead of West Germany (1.5 percent).

The fear of economic decline and the knowledge that competition will be fierce in the "Europe without frontiers" after 1992 leave the French worried and searching for an effective economic policy. The left tried nationalization and a consumer-based boom, but this failed; and a relatively soft austerity has been practiced by all governments since 1983. One problem has been that the government deficit rose from 18.5 billion francs (F) in 1977 to F153 billion in 1985, and remains at around F115 billion. Another problem has been how to get a grip on wage increases, and how to redistribute income for investment. Governments have also tried without success to reduce the state tax bite on the economy; but the public take has grown from 38.7 percent of GNP in 1977 to around 44 percent recently. Finally, a chronic problem in the French economy has been its inability to end the trade deficits that have characterized the country's international exchange during this decade. Although there was a near-surplus in 1986, in 1987 the trade account showed a deficit of around F32 billion, despite reduced energy import costs and a weak dollar. The principal

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"Today, Ireland is troubled by a large national debt . . . reduced government services, heavy taxation, growing unemployment and a recurrence of emigration. . . . Without public acceptance of belt-tightening measures to reduce government spending and promote economic growth, . . . a failure to deal with the debt will have a lasting impact on Irish society."

Ireland's Economic Struggle

BY R. SCOTT BOMBOY

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IRELAND is a nation of contradictions. Since it won its independence from Great Britain and separated from Northern Ireland in 1922, the Irish republic has overcome political division to become a politically stable and modern, industrialized member of the European Community (EC). The Irish people are among the best educated in West Europe and the social services provided by the Irish government are equal to those of other developed industrialized countries. The republic is relatively free of the political violence endemic in Northern Ireland, and Ireland has become a haven for foreign investors because of its generous tax and export environment and its membership in the EC.¹

Underlying this positive image, however, is the fact that Ireland is the poorest country in northwest Europe.² Its economy is burdened by heavy taxes, government debt and rising unemployment; its bloated government social service sector has overborrowed over the last 10 years to provide a level of benefits that cannot be supported by the nation's tax base. The Irish national debt has doubled within the last four years; as of 1987, the national debt stood at 140 percent of the country's gross domestic product (GDP).³ In the 1980's, Irish governments have been aware of these economic difficulties but have been unable to institute reforms effective enough or timely enough to counter the decline. In spite of the obvious benefits of membership in a modern and industrial society, the standard of living for the average Irishman is worsening daily and the people face a future of austerity.

The roots of the Irish dilemma can be found in the nation's colonial past, in the development of its

political system after 1922 and in the radical shift of its economy in the post-World War II era. With the Anglo-Irish treaty of 1922, the Irish Free State was formed after many years of fighting with the British, who had controlled the island since the late seventeenth century. By the twentieth century, the island had been divided into two different geographical and ideological sections. The northern six counties of Ireland, settled by Protestants after the ouster of their Ulster Catholic neighbors by James I in 1607, considered themselves staunch unionists and favored a continued link between Ireland and Great Britain. The southern 26 counties, which had remained Catholic, advocated Irish independence and the creation of the Irish Free State.

The Anglo-Irish treaty of 1922 came after three years of intense fighting between the Irish nationalists and British-backed Ulster unionists. According to the treaty, the southern counties became an independent state within the British Commonwealth and the northern counties retained their status as Northern Ireland, a British province. Disagreement over the treaty in the south, however, sparked three more years of bloody civil war between the Irish nationalists, who had split into "pro-treaty" and "antitreaty" factions. The civil war ended in 1925, but not before the original leaders of the antitreaty Sinn Féin party died in the fighting.

Stability came to the Irish with Eamon de Valera, a surviving Sinn Féin leader, who entered the government in 1926. By 1933, de Valera had become the head of state and leader of the Fianna Fáil party, an offshoot of the Sinn Féin party. Until 1981, political tranquility was the norm, with Fianna Fáil dominating politics. It was the winner in 11 of the 15 parliamentary elections held between 1932 and 1977 and served as the government for all but ten and one-half years of that era. When Fianna Fáil was out of government, the other major party, the Fine Gael party (which had its roots in the pro-treaty faction of Sinn Féin) ruled in coalition with Ireland's third largest party, the Labour party.

Ireland made great political, economic and social

¹For a recent comprehensive survey of Ireland's most pressing social, economic and political problems, see Frances Cairncross, "Poorest of the Rich," *The Economist*, January 16, 1987.

²In the mid-1980's, Ireland's gross national product (GNP) per capita was \$4,850; of the EC (European Community) members, only Spain's GNP per capita was lower and the Irish level was 25 percent lower than the per capita income in Italy, third from the bottom. See World Bank, *World Bank Development Report 1987* (New York: Oxford University Press, 1987).

³Cairncross, op. cit., pp. 7-8.

progress after its internal violence abated in the 1930's. In 1937, a separate constitution was written for Ireland, and in 1949 Ireland removed itself from the Commonwealth, establishing the Republic of Ireland. Of perhaps greater significance was the radical economic transformation spurred on by the end of World War II. Like other former agricultural nations, Ireland made the shift to an international economy. The theory behind this shift was Keynesian "demand management" economics, which emphasized rapid modernization and the industrialization of the Irish economy. Theorists believed that the economic revolution would be accomplished by promoting foreign trade and would be funded by deficit financing.

Although agriculture remained viable, the emphasis on the sale of agricultural products swung from the home market to international markets. Government leaders applied this same philosophy to the manufacturing sector, which was expanded and encouraged to produce goods for export. In combination with these export policies, foreign investment in Ireland was also strongly encouraged by the government. The Industrial Development Authority was established in the 1950's to provide tax incentives for foreign investors and to eliminate harmful tariffs. The ultimate goal of these economic policies, the integration of the Irish economy with the European and world economies, came to fruition when Ireland joined the EC in 1973.⁴

As a low-cost food producer, Ireland reaped the benefits of its EC membership because the EC's common agricultural policy subsidized artificially high food prices. The wealth Ireland garnered from this surplus increased as confidence in the economy grew; this prosperity also increased the amount of deficit financing, the funds from which were channeled into improved government social services. The logic behind deficit financing, i.e., government borrowing, held that initial financing of the economy through borrowing was necessary so that the economy would become self-sustained. When the economy reached the point of profitability, then borrowing would stop and past loans could be repaid with profit.⁵ Following this reasoning, the size of the public sector in Ireland increased dramatically during the 1970's. An equally important factor in the creation of the large Irish public sector was the nature of the political system.

⁴Raymond Crotty, *Ireland in Crisis: A Study in Capitalist Chronic Undevelopment* (Dover, N.H.: Brandon Books, 1987), pp. 87-89.

⁵Crotty, *Ireland in Crisis*, p. 88.

⁶For a condensed explanation of the details of the STV system, see Basil Chubb, "Procedures for Voting and Counting the Votes in Force in 1981-1982," in Howard R. Penniman and Brian Farrell, eds., *Ireland at the Polls: 1981, 1982, and 1987* (Durnam, N.C.: Duke University Press, 1987), pp. 245-248.

THE IRISH POLITICAL SYSTEM

The Irish political system is parliamentary, but it follows a unique system of proportional representation, the single transferable vote (STV), to select the members of the Dail, its Parliament. Under the complex rules of STV, participants vote in constituencies by paper ballot, where candidates are listed in alphabetical order. A voter ranks the candidates in order of preference, indicating the "first preference" by putting a 1 next to that name, the "second preference" by marking a 2 next to that name and so on. A voter may rank as many candidates as desired.

Since there are usually three to five seats contested in each constituency, a quota is determined to ascertain the minimum number of first preference votes needed to win a seat. If not enough first preference votes are received, second preference votes are counted for the remaining candidates. This procedure continues until a full complement of candidates for the constituency is selected.⁶

The number and diversity of the candidates on the ballot complicate the work of political parties in the Irish voting system. For example, in a typical constituency there may be as many as 10 candidates for 3 seats in the Dail, and of those 10 candidates, there are often more candidates running from a single party than there are seats up for election. In addition, candidates who represent minor political parties or who are independent enjoy considerable success by catering to the particular interests of local voters.

Because of the STV system, local politicians enjoy an inordinate amount of influence, and it is almost impossible for one party to gain a majority by popular vote in the Dail. Since voters can support both the candidates of their party and their local favorites, a handful of independents and fringe party candidates elected to the Dail determine which party will obtain a voting majority.

Political parties in Ireland are also weakened because most of them are ideologically indistinguishable. Many of their supporters base their membership not on a platform of economic and social reform, but on the side taken by their ancestors in the civil war of the 1920's. With the fading of unification as a dominant issue, most parties take similar attitudes toward government spending, taxation and social services. Often, the individual personalities of the party leaders and the promises they make influence the voters.

In the last 10 years, two leaders have dominated Irish politics: Charles Haughey of the Fianna Fail party and Garret FitzGerald of the Fine Gael party. Charles Haughey is the most controversial figure in Irish politics. An ardent nationalist, he is a self-made affluent businessman whose strong person-

ality has either impressed or offended the members of his party and the opposition alike. Garret Fitzgerald, on the other hand, is a dry, academic and generally well-liked politician. Haughey and Fitzgerald are the only politicians who have served as Ireland's Taoiseach (Prime Minister) since 1979.⁷

Charles Haughey married the daughter of Sean Lemass, who had been President Eamon de Valera's assistant and who had succeeded de Valera as party leader and Taoiseach in 1959. Rising to prominence in the party in the 1960's, Haughey held several key Cabinet posts and was under serious consideration for the position of Taoiseach in 1966. However, Haughey's political career seemed to be at an end in 1970 when he was indicted on charges on conspiring to import arms illegally to Northern Ireland. Although he was acquitted of all charges, Haughey was banished by the party and sent to represent the local constituencies, known as the "backbenchers." Regaining his popularity by successfully pursuing the interests of the backbenchers, Haughey was reappointed to the national Fianna Fail leadership in 1975. He played a prominent role in the general election of 1977, and thereafter he received a Cabinet post. Completing his political comeback, Haughey drew on the support of the backbenchers to replace the retiring Jack Lynch as Taoiseach in 1979.

It was the general election of 1977 that brought Garret FitzGerald into the forefront of the Fine Gael party. Fianna Fail defeated the incumbent Fine Gael-Labour coalition handily by emphasizing "consumer politics" (automobile and property tax cuts) and promising more social benefits. The Fine Gael leader, Liam Cosgrave, resigned and was replaced by Garret FitzGerald, an economist who entered the party in 1964 and had been minister for foreign affairs in the previous Fine Gael-Labour coalition. Unfortunately, the general election of 1977 also typified the campaign strategy that accelerated the Irish economic decline—promises for increased government services and reduced taxes.

THE IRISH WELFARE STATE

How severe are the problems of the Irish economy? Today, Ireland is troubled by a large national debt, rising government expenditures, reduced government services, heavy taxation, growing unemployment and a recurrence of the emigration that has traditionally signaled troubled times for the Irish. As a proportion to gross national product (GNP), the Irish debt is the largest in West Europe. Servicing this debt consumes one-third of all annual

tax revenue and 90 percent of the revenue from Ireland's steep income tax. In the period from 1982 to 1986, the national debt doubled in size, with 40 percent of the debt in foreign currency.⁸

The catalyst of the Irish economic problems of the 1980's was the rapid expansion of the public sector, which resulted in part from the policies of the previous 30 years. With the influx of foreign credit and investment, Ireland enjoyed a period of economic prosperity even before it entered the EC in 1973. This trend continued, because Ireland's agricultural sector benefited from the EC's tariff policies. Public sector growth was also fueled by popular resentment of the social benefits enjoyed by Northern Ireland because of its membership in the United Kingdom.

By the mid-1970's, the Irish public sector was as large as public sectors in the wealthier industrial nations of the world and, by 1978, Ireland was spending a proportionally higher amount of its GNP on social security than was Japan (in the early 1980's Ireland overtook the United States). Spending on health care reached eight percent of GNP by the early 1980's (a higher percentage than Great Britain's). In addition, the government employed more people in public jobs to counter growing unemployment.

The dependence of the government on foreign capital and credit, the growth of Ireland's foreign trade sector (one of the world's largest per GNP), and the lack of natural resources (especially oil) combined to make the Irish economy vulnerable to the ups and downs of the international market. By the mid-1980's, over one-third of Ireland's workers were employed by foreign firms and 70 percent of its energy was supplied by imported oil. The fluctuation in world oil prices during the worldwide recessions of the late 1970's led to inflation and unemployment. The increase in unemployment was particularly damaging, since compensation payments increased.

In addition to the problems posed by the national debt, social services expansion and unemployment, taxation has been increased to compensate for government spending and borrowing. In 1985, total government expenditure as a percentage of GNP was 57.1 percent, the highest percentage in the group of industrial market economies. More than 40 percent of all government expenditures were allocated to health, housing, social security and welfare. Central government revenues in 1985 totaled 47.4 percent of the GNP, the second highest ratio in the industrial market economies.⁹ At its high point in 1981, government borrowing was 15 percent of GNP. Although fiscal policies have lowered this level, 25 percent of government spending is financed by borrowing.

⁷Padraig O'Malley, *The Uncivil Wars: Ireland Today* (Boston: Houghton Mifflin Company, 1983), pp. 20-30.

⁸Cairncross, op. cit., pp. 3-4.

⁹World Bank, *World Bank Development Report 1987* (New York: Oxford University Press, 1987), p. 247.

Ireland's taxes are among the stiffest in West Europe. Ireland has the region's highest income tax on average workers and a value added tax (VAT) of 25 percent, the highest of any EC member. Its excise tax is also high. A single male taking no tax deductions pays a marginal tax rate of 65.75 percent; the base tax rate for the average single person is 35 percent (the highest rate in the industrial world) before additions are calculated.¹⁰ Agricultural concerns and foreign manufacturers are taxed most lightly. The tax system is full of loopholes, and the corporate tax breaks are generous, so most of the tax burden falls on lower-income, urban groups. It is also common in Ireland for people to postpone paying taxes, often until they are taken to court, and many of the goods that are subject to heavy excise taxes (alcohol, tobacco and gasoline) can be easily smuggled from Northern Ireland and Britain.

ECONOMICS AS A CAMPAIGN ISSUE

Economic reform has replaced unification with Northern Ireland as the barometer of Irish political survival. Since the formation of the Irish Free State in 1922, every Irish politician and most Irish citizens publicly favor the eventual reunification of the island. Among the most vocal proponents of reunification is Charles Haughey, who has gained political mileage out of this position. Article 2 of the constitution endorses reunification as a major goal of the state, recognizing that "the national territory consists of the whole island of Ireland."

Several practical reasons, however, prevent most Irish from favoring unification at the present time. Major problems are the size and religious composition of the populations. Ireland has over 3.5 million people, 94 percent of whom are Roman Catholic; Northern Ireland has a population of 1.5 million people, two-thirds of whom are Protestants. Today, the Irish in the Republic of Ireland want to live in a Catholic state. Referendums on legalizing both divorce and abortion have been soundly defeated in recent years, and attempts to mount a "constitutional crusade" by Garret FitzGerald to secularize the Irish constitution during his second term as Taoiseach also failed.

Since 1980, considerable political progress has been made on the reunification issue: Negotiations

with Britain over the question of Northern Ireland began informally in December, 1980, when Charles Haughey met with British Prime Minister Margaret Thatcher during the H-block hunger strikes in Northern Ireland.¹¹ After a second summit between Garret FitzGerald and Thatcher in 1982, the New Ireland Forum was established as a meeting place for delegates from the republic and from Northern Ireland to discuss the Anglo-Irish issue. After a year of deliberations, the forum issued a controversial report on the Anglo-Irish problem in 1984. The report generated controversy within Ireland, but the momentum toward a new Anglo-Irish agreement mounted.

On November 15, 1985, a new Anglo-Irish agreement was signed at Hillsborough, Northern Ireland. The agreement acknowledged that the present status of Northern Ireland could not be changed without the consent of its population, that the unification of Ireland was a legitimate goal, and that meanwhile the Irish government would have a voice in the administration of Northern Ireland through its membership in an Intergovernment Council.¹² The agreement has proved popular in Ireland, so much so that Haughey had to tone down his objections in subsequent years.

However, economic issues have determined the ruling parties in Ireland since 1979 and have brought instability into the system. Charles Haughey became Taoiseach in 1979 not only because of his loyal backbench supporters, but also because of popular dissatisfaction with deteriorating economic conditions.¹³ By 1981, the unification issue and the economic decline were of equal importance when Haughey called for elections. The period from June, 1981, to November, 1982, was marked by uncertainty when the government changed hands an unprecedented three times.

First FitzGerald, then Haughey, and then FitzGerald again took turns running the government, when unpopular measures like excise duties and the VAT triggered dissent in the Dail. The politicking involved in the election of March, 1982, typified the faults of the voting system—local interest politics and economic concerns can combine to destabilize Irish politics. Haughey, who had gained a plurality in the general election, secured his appointment as Taoiseach by gaining the informal support of three members of the small Sinn Fein Workers' party (SFWP) and by promising lucrative government concessions to an independent deputy from inner-city Dublin, Tony Gregory.¹⁴ From March to November, 1982, the three SFWP deputies controlled the fate of the Haughey government until they switched sides during a no-confidence vote in the Dail, bringing down the government.

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¹⁰Cairncross, *op. cit.*

¹¹O'Malley, *Uncivil Wars*, p. 23.

¹²Penniman and Farrell, *Ireland at the Polls*, pp. 232-233.

¹³*Ibid.*, p. 10.

¹⁴Haughey obtained Gregory's support in what later became known as the "Gregory Deal." In exchange for Gregory's vote, Haughey promised government concessions designed to help Gregory's urban constituents. The concessions, which were listed in a 30-page, signed-and-witnessed document, were eventually valued at between £180 million and £175 million.

BOOK REVIEWS

ON WEST EUROPE

EUROPEAN SECURITY BEYOND THE YEAR 2000. Edited by Robert Rudney and Luc Reyckler. (New York: Praeger Publishers, 1988. 317 pages and index, \$39.95, cloth.)

European Security Beyond the Year 2000, the result of a multiyear project of the division of international relations, the Catholic University of Leuven, Belgium, addresses different security scenarios for the 18 non-Communist European nations. Editors Robert Rudney and Luc Reyckler divide coverage of the continent into 4 regions (NATO Center, NATO North, NATO South and the Neutrals), a plan that gives the book a thematic approach and a sense of organization. There are also several issues that the editors asked the contributors to discuss in each article: each nation's conception of its long-term security problems; official government policy toward security issues; and the prospects of successfully implementing security policies.

In this collection, all the articles are written by residents of the countries that are being discussed. This nationalist bent and the diversity of the security problems in West Europe lead to uneven coverage; some articles are too brief while others are too detailed. However, a positive feature is the discussion of many potential solutions to European security problems. Another plus is consideration of security issues in smaller nations like Finland, Austria, Ireland and Iceland.

Diverse in its opinions and in its discussion of security philosophy, *European Security Beyond the Year 2000* is worthwhile for those with a direct interest in the field of European security and international relations. R. Scott Bomboy

POLITICS AND SECURITY IN THE SOUTHERN REGION OF THE ATLANTIC ALLIANCE. Edited by Douglas T. Stuart. (Baltimore: The Johns Hopkins University Press, 1988. 209 pages, notes, bibliography and index, \$29.50, cloth.)

Another collection dealing with NATO security problems, specifically in the Mediterranean area, *Politics and Security in the Southern Region of the Atlantic Alliance* is a detailed survey of the contemporary problems posed by membership in NATO for France, Italy, Spain, Portugal, Greece and Turkey. Although some of the articles were presented several years ago at an aca-

demic conference, the book covers the contemporary political interaction among the southern NATO countries.

The contributors stress the fact that individual nations in NATO are becoming more responsible for their own foreign policy goals. This evolution toward self-determined national security policy is a major factor in southern NATO relations. Another major theme, the progress of democracy and socialism in the region, is also evaluated in detail. *Politics and Security in the Southern Region of the Atlantic Alliance* contains a detailed list of bibliographical sources. R.S.B.

SPAIN: A GUIDE TO POLITICAL AND ECONOMIC INSTITUTIONS. By Peter J. Donaghy and Michael T. Newton. (Cambridge: Cambridge University Press, 1987. 242 pages, bibliography and index, \$11.95, paper.)

This book reviews the evolution of Spain's political and economic institutions since the death of Generalissimo Francisco Franco in 1976 and the subsequent restoration of democracy in Spain in the late 1970's. Among the various institutions discussed are the Spanish monarchy, the central, regional and local governments, the Parliament, political parties, trade unions, business organizations and financial institutions.

Spain: A Guide to Political and Economic Institutions was designed by the authors as a primer for those unfamiliar with the intricacies of the Spanish sociopolitical system. It describes the many actors (politicians, business people, public servants) involved in the day-to-day operation of the various institutions that dominate Spanish society. Each chapter, therefore, stands on its own as a source of information. A detailed list of institutions and a selected bibliography help readers find further information about Spain. R.S.B.

SDI AND EUROPEAN SECURITY. By Regina Cowen, Peter Rajcsanyi and Vladimir Bilandzic. (Boulder: Westview Press, 1987. 183 pages and appendix, \$11.85, paper.)

SDI and European Security is part of the East-West Monograph series published by the Institute of East-West Security Studies and is written by three former fellows of the institute. An introduction is provided by F. Stephen Larrabee.

Regina Cowen discusses the evolution of a United States defense policy that conceives of

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ITALY

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in 1987, with poor results) if they hope to reverse a decline that observers are increasingly describing as irreversible.

POLITICS AS USUAL

As the major parties seek to clarify or consolidate their identities, there have been fewer disruptions and crises than usual. Although it has recently shown signs of weakening, the economy has continued to grow at a rate better than the European average, and relative prosperity has a way of taking the edge off potentially explosive issues. The worst period of terrorism is clearly behind the country, and many of the forces that were employed against terrorists are currently in the field trying to root out a far more persistent (and structurally more entrenched) foe: the Mafia. In spite of its circus-like spectacle, a drawn-out "maxi-trial" of hundreds of *mafiosi* in Palermo condemned even some high-ranking criminals.

Of course, "politics as usual" in Italy never indicates boredom. Since the 1970's, Italy has permitted abrogative referendums, which allow citizens to petition to strike down a law they consider particularly offensive. If enough signatures (half a million) are collected, voters go to the polls and vote "yes" to abolish the law, or "no" to retain it. Over the years, extremely contentious issues have been fought out in this fashion: divorce, abortion, anti-terrorist measures, the cost-of-living escalator, the public financing of political parties and life imprisonment. Interestingly enough, although there have been some close calls, no law had ever been abolished before 1987.

In November of that year, five laws were struck down by the voters. The most contentious of these involved judicial reform, judges' civil liability stemming from malpractice, and nuclear energy. Division on these issues ran so deep within the government that it was impossible to find compromise solutions that might have headed off the referendums. Only a few minor adjustments were possible to existing laws, because the governing parties were profoundly divided on most of these issues.⁷ When it became clear that the laws in question were extremely unpopular, politicians in the government coalition began to jump on the abolitionist bandwagon—a sorry spectacle indeed, since as legislators they presumably had the power to change the

offending laws. The 1987 general elections were precipitated when Craxi used disagreement over the referendums as a convenient excuse for the PSI's withdrawal of support from any prospective governments that had been proposed to replace his own.

Observers were unanimous that Craxi had merely seized on a pretext. But as the results showed, it was politically shrewd to distance oneself from the contested legislation. In the first place, the public used the occasion to send a strong negative signal to the government. And the turnout for the referendums was shockingly low by Italian standards, 65 percent of the eligible voters (compared with around 90 percent in general elections). Moreover, of those who did vote, between 12 and 15 percent turned in blank or spoiled ballots.

Serious internal divisions appeared among the coalition partners on other issues as well. In the area of foreign policy, the government appeared paralyzed in the wake of the United States request for a naval peacekeeping force in the Persian Gulf. Italy has always tried to stake out a policy somewhat independent of the United States with regard to the Middle East. Italy's historic link to the Mediterranean and its total dependence on imported oil have dictated a stance that the Americans—and many Italians—have interpreted as "tilting" too much toward the Arabs. In the case of the Persian Gulf, the government dithered until Bettino Craxi, no longer Prime Minister but very much in the political fray, announced his emphatic support of the Italian expeditionary force. Italian ships sailed for the gulf shortly thereafter, and Craxi had another feather in his cap. In spite of occasional assertions of limited autonomy in foreign affairs, however, Italy continues to be a very reliable ally for the United States.

Still, Italy's political horizon remains clouded by persistent problems that have defied easy solution. The economic news has been, on balance, reassuring, particularly with regard to the continued steady growth of the economy. Indeed, in 1987, there were estimates that the Italians had surpassed the British as the fifth largest capitalist economy in the world: to be sure, the estimates included the very substantial fraction of the Italian economy that is "submerged," i.e., exists off the official records. But steady growth has carried with it well-known dangers, including increased imports (and hence a worsening balance of trade) and growing wage demands.

The expanding sectors of the economy, often organized in "independent" unions that are not linked to the more responsible large confederations, have raised the level of strikes and job actions in the ser-

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⁷Since the referendum petition designates the law (or a specific offending article of a given law) to be abrogated, prompt legislative action can eliminate the problematic law/article, and thus avoid the recourse to the polls.

UNITED STATES-WEST EUROPEAN RELATIONS

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least, the United States was pursuing more reasonable SDI goals in a way less visibly undermining arms control talks or allied concepts of strategic stability.

During these years, a parallel but less turbulent process of United States-West European alignment over NATO's conventional forces has also taken place. Although the Reagan leadership originally endorsed a global strategy that, compared with Carter's, placed more emphasis on maritime forces and other theaters, it also responded to allied concerns by deciding not to downgrade the European theater. Resolving in late 1981 to fund its new priorities through its rising defense budget, it decided to maintain United States forces in Europe at a high level, to modernize them fully, and to strengthen United States reinforcement capabilities. These decisions were well received in Europe and helped project an image of American stability amid the turbulence occurring elsewhere.

Toward the end of its first term, the Reagan administration took steps to bring greater focus to its participation in NATO's planning process. In 1981, it had begun by deemphasizing President Carter's Long Term Defense Plan (LTDP), which had bypassed NATO's cumbersome planning machinery, and by vowing to work within the established system. While this step pleased NATO's bureaucrats, the Reagan team then confounded them by offering few fresh ideas of its own to energize the process. As a result, NATO drifted during 1981 and early 1982.

Belatedly recognizing this problem, Washington tried to compensate by switching gears entirely. In 1982-1983, it offered a bewildering array of new concepts—"Follow-On Forces Attack" (FOFA), Airland Battle, and CounterAir 90—that confused the allies, appeared provocative, and threatened to send NATO down several uncoordinated paths. Many of these ideas had originated at lower levels in the United States Defense Department and lacked top-level endorsement. But in Europe, the Reagan administration was credited with all of them. Almost overnight, its reputation for passivity vanished; it was now criticized for being too incoherently active.

Cognizant that too many voices were delivering too many messages, the Reagan administration formed a special Defense Department steering group to sort out its ideas. Once its own thinking was in order, the group worked with NATO Secretary General Lord Carrington to forge alliance-wide agreement on the "Conventional Defense Im-

provement" plan (CDI). Endorsed in late 1984, this plan folded the various concepts into a single five-year program. Together with the long-term "Conceptual Military Framework" study prepared by the Supreme Allied Commander Europe (SACEUR), General Bernard Rogers, it pointed NATO's conventional improvement efforts in a coherent direction that commanded consensus across the alliance. The first term of the Reagan administration thus ended with a greater accord on conventional defense than on nuclear goals.

During its second term, the Reagan administration, while spending less political energy on conventional forces than nuclear strategy and arms control, tried to accelerate CDI's momentum. It maintained a patient stance on allied failures in burden-sharing and turned a deaf ear to growing domestic calls for United States troop withdrawals. Acting within CDI's framework, the administration took steps to bring greater balance to United States program goals. Originally, it had endorsed high technology solutions to NATO's problems. Many Europeans reacted negatively to this emphasis with arguments that these programs were unaffordable, might not work effectively, and smacked of United States salesmanship of its own technology. In response, the United States began calling for greater investment in such low technology areas as war reserve stocks, aircraft shelters and reserve mobilization.

Although the political impact of these measures has been diluted by the growing public debate over burden-sharing, the measures were well received in NATO headquarters and allied capitals. In many cases, the allies took steps to reciprocate. For example, they agreed to participate in FOFA, to revise their tactical doctrine to accord with the United States Army's growing emphasis on maneuver, to buy larger war reserve stocks, and to allocate more infrastructure funds for tactical aircraft shelters. As a result, the Reagan administration will leave office with a greater United States-West European accord on conventional forces than seemed likely in its early days.

ALLIANCE DYNAMICS

This greater United States-West European consensus on strategic policy was achieved through an uneven, often turbulent, process but in the end the consensus was wide-ranging. This is not to imply that the events of the past few years have left NATO in complete harmony. Because of dissimilar perspectives and interests, policy tensions will continue. But degree matters here. Disagreements that threatened to fracture the alliance eight years ago have been reduced to manageable size. The result is an alliance with its foundations again intact.

The improved official relations brought about by this strategic accord have had a beneficial impact on NATO's ability to manage its daily affairs. Disputes that have arisen lately over United States basing agreements on the southern flank, nuclear deployments on the northern flank, and armaments cooperation in Central Europe have been treated as problems for an otherwise stable alliance. In earlier years, they would have inflamed nerves already rubbed raw by disputes over basic policy.

In addition, the United States and the West European nations have recently shown a greater capacity to cooperate on practical defense matters. One example is NATO's decision to help pay for the relocation of the United States air wing from Spain to Italy. Another is the willingness of several allies to deploy naval forces to the Persian Gulf in collaboration with United States operations there. In addition the French-West German decision to create a combined brigade and other joint allied programs now seems likely to be channeled toward strengthening NATO rather than building an independent West European pillar.

Against this background of strategic accord and daily cooperation, the alliance also has come to feel more hopeful about economic affairs. At the Toronto economic summit in June, 1988, the seven major industrial powers expressed satisfaction with the 1980's, publicly labeling this decade the longest period of economic growth in postwar history. They particularly praised the smooth recovery they had made since the October, 1987, stock market crash.

Their "economic declaration" stated that the trends provide cause for optimism, not complacency. This upbeat mood contrasts with the tensions of past years, when a protectionist war threatened, the United States dollar was unstable, trade imbalances and budget deficits loomed large, and the stock market crash seemed likely to cause damaging reverberations. Toronto's participants credited the progress since then to their own cooperative policies and called for efforts to fight inflation, encourage growth, stabilize exchange rates and resist protectionism.

Toronto's optimism does not mean that all Western economic tensions have been resolved. The allies remain nervous about United States trade and budget deficits, which while less worrisome in 1988, pose potential problems ahead. In the United States, protectionist sentiment continues to grow and to transform itself into trade legislation. Any downturn in economic growth rates could prompt a quick return of struggles over these issues. But these problems aside, Toronto reflected the same consensus that the NATO alliance as a whole, has reached on strategic issues.

At Toronto's closing ceremony, Canadian Prime

Minister Brian Mulroney said that President Reagan's "leadership has been strong, his accomplishments most substantial, and his place in history secure." Although his remarks were a rhetorical flourish, they reflect more than the afterglow of the Moscow summit and a natural mellowing as the Reagan presidency nears its end. They also reflect the opinion of most Western governments that NATO is not in a state of disarray, as commonly charged by its critics. The warm reception accorded President Reagan at Toronto and, earlier, at Guildhall, suggests that he will leave office with United States-West European relations on an even keel.

The Reagan administration's harshest critics will be hard-pressed to explain this achievement, improbable as it might have seemed a short while ago. Undeniably, however, it was late. Only two years earlier, the alliance was experiencing major frictions in both strategic affairs and in economic matters, and the prevailing mood was less upbeat. The still-fresh memory of these unhappy times could become a negative factor as the alliance faces the problems ahead. Equally important, below the surface of official contentment there is growing public doubt about NATO's future. If not resolved, this doubt could develop into a destructive force.

Public discontent has been brought about by problems considerably more fundamental than atmospherics. While the Reagan years have seen many improvements in United States and NATO military forces, the alliance's defenses, especially its conventional posture, are still vulnerable. As a result, West Europe remains insecure. Until genuine and enduring security is achieved, either by ending the cold war or improving NATO's defenses, the alliance will remain vulnerable.

Given this mixed legacy, a proper historical verdict on the Reagan era can be rendered only after time has provided perspective. For now, it is sufficient to say that the Reagan administration will be given credit for its reassertion of American resolve, its defense buildup, and its insistence on dealing with the Soviet Union from a position of strength. Its crown jewel, the INF treaty, provides a case study of how firm United States leadership can guide NATO through a troublesome defense decision and into negotiations that provide the reality, not just the appearance, of arms control.

To some, the Reagan administration's initially tough stance toward the Soviet Union, its unyielding negotiating positions, and its use of SDI as a bargaining chip poisoned East-West relations and stalled arms control talks. At the same time, however, this approach may well have played a role in such favorable developments as Gorbachev's concessions in the INF and START talks, Gorbachev's

withdrawal from Afghanistan, and even perestroika itself. Compared with its predecessors, the Reagan administration acted tougher and waited longer for better relations with the Soviet Union. But in the end, it may have been more successful. ■

SPAIN

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UGT's relative position in workplace representation vis-à-vis the then largest union, the mostly Communist Workers' Commissions. It is not surprising, therefore, that beginning with the 1982 National Employment Agreement, the Communist union also became a participant in this "social pacts" process, which many social scientists may interpret as the most neo-corporatist element in the Spanish political system. The government also participated in the National Employment Agreement.

The progress of such industrial relations-wage negotiation agreements has continued during the years of the Socialist government, but the last such pact, the AES (Economic and Social Agreement), lapsed at the end of 1986. At the time of its expiration, the government did not push strongly for a new agreement, although the employers organizations, specifically, appeared willing to explore the possibility.

It is difficult to quantify the degree to which the top-level bargaining accords have contributed to wage restraint, given the massive levels of unemployment. It is more likely that their impact has been more important in reducing the level of labor conflicts, and thereby helping maintain productivity. Wage demands in all likelihood would have remained somewhat depressed.¹⁰ Nevertheless, the dampening of wage growth has made an important contribution to continued progress in holding down inflation over the past two years. Although the average wage settlement of 6.6 percent for 1987 may appear high, it is down from 11.4 percent in 1983.¹¹ New hirings, which have become a significant factor in labor markets since mid-1985, have been concentrated among first-time entrants, tem-

porary and part-time workers, and those brought on board under the Employment Promotion Programs—all groups characterized by relatively lower wages.¹² This has served to break the impact of wage drift.

The significant expansion in temporary and part-time workers, perceived as officially sanctioned, if not in fact promoted, is a bone of contention between the UGT and the government. UGT estimates indicate that the proportion of temporary workers has increased from 15 percent in April, 1987, to 21 percent a year later, double the European average.¹³

While the government had targeted a rise in the consumer price index of 3 percent for 1988, something closer to 4 percent is likely, still down from 4.6 percent last year and close to 8.8 percent in 1986. It is estimated that Spain's imposition of the value added tax (VAT) in 1986 per EC strictures added 2 percent to 1986 inflation. The central VAT rate will soon be raised to 18 percent from the current 12 percent.

In addition to wage moderation, other factors contributed to progress on inflation primarily, the decline in oil prices and the appreciation of the peseta, significantly vis-à-vis the dollar and mildly against a basket of European currencies, tied to the major increase in the weight of imported goods in consumer spending (doubling over the two years to 1987). The lowering of tariff and nontariff barriers with the EC was more significant on the Spanish side than on the European, given the higher pre-1986 levels of Spanish protection. While it is still difficult to estimate the impact EC integration will have in Spanish export-creation, it has already had massive trade diversion effects.

The share of total Spanish merchandise exports to the EC has risen from 52 percent in 1985 to about 65 percent currently. Imports from the EC rose from 37 percent of all Spanish imports in 1985 to 54 percent in 1987. On the inflation ledger, the elimination of duties on a rapidly expanding influx of EC goods to supply strong domestic demand contributed to lower inflation.¹⁴ The important increase in long-term capital inflows may in part reflect a shifting among European manufacturers of more production capacity to Spain.

Concerned about Spain's ability to compete in post-1992 Europe, the government has become the prime promoter of consolidation in the banking industry. Banco de Bilbao is merging with Banco de Vizcaya following its failed tender offer for Banesto. Banesto, in turn, is merging with Banco Central. All four ranked among Spain's seven largest banks, but remain minor players on the global stage. The industry remains dispersed by European standards and could be characterized as *minifundismo*.

¹⁰Recall that given Spain's restrictive labor practices, wage demands in the absence of the broad agreements would still not have been as depressed in the face of rampant unemployment as they would have been in a political system with less restrictive dismissal policies. However, the existence of guarantees against totally free dismissals has lowered the political backlash among those still holding jobs, which in another system would long have been felt before reaching 22 percent unemployment.

¹¹The wage increase for public employees was set at 4 percent for 1988. *OECD Economic Surveys*, p. 40.

¹²*OECD Economic Surveys*, pp. 14-19.

¹³*El País*, July 25, 1988, p. 28.

¹⁴The growth of domestic demand has been an important contributor to economic growth over the past two years and real disposable household income has increased consistently over the past four years.

At the July, 1988, meeting with the Council of Ministers, King Juan Carlos identified terrorism and unemployment as the country's two most serious problems. Labor relations between the government and the Socialist UGT have been deteriorating significantly over the past three years. After very public objections to the government's pension reform legislation in 1985, UGT leader Nicolás Redondo and other UGT members failed to vote with the government on the issue in Parliament. During the past two years, Redondo has effectively ousted all those in UGT leadership positions who toed the government's economic and social policy lines and has replaced them with individuals enjoying his own confidence.

Corcuera's entry into the Cabinet will not be considered a plus from the union's perspective. Solchaga's continuance is difficult for the UGT to swallow. Its softer rhetoric notwithstanding, the government's labor policies are unlikely to change over the near term. A June, 1988, government-contracted White Paper on Unemployment argues that short of less restrictive labor policies, such as freer dismissals, many Spanish companies will go under in the next few years. To smooth the transition to more open labor policies, the paper argues, that social insurance benefits should be increased and coverage extended. Both the Communist PCE and Suárez's CDS objected to the paper's proposals.

The PSOE is promoting "Project 2000," an attempt by the party to redefine what socialism means in the context of the coming century. In this undertaking, the party has reached out to numerous non-PSOE experts to incorporate a broader perspective.

In addition to bringing Spain into a closer European union, the year 1992 will witness the hosting of the summer Olympics in Barcelona and a world's fair in Seville, to commemorate the 500th anniversary of the discovery of America. After years of economic "crisis," Spain has definitely turned the corner, albeit with major disequilibrium in its regional and sectoral growth. Spanish democracy is very stable. ■

BRITAIN

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Hong Kong as expected is to be transferred to Chinese sovereignty but with formal guarantees; and the July, 1988, European Community summit provided an opportunity to renew British doubts about strong central institutions for that body.

The weakness of other parties helps the Tories. The failure of the Alliance to effect a truly major shift in that political system has strengthened Thatcher's hand and her hold. Late in 1988, Labour rival Neil Kinnock was developing problems of his

own. The resignation of his ally, Denzil Davies, as defense spokesman was a blow.

There was more general criticism of Kinnock because of his authoritarian, aloof style. Hence, Kinnock and his deputy, Roy Hattersley, may face a serious challenge at the October party conference. On June 9, the largest trade union, the Transport and General Workers, refused to endorse the Kinnock and Hattersley ticket. John Prescott is one influential leader on the Labour left who could credibly run for deputy leader.

Meanwhile, in 1989, Margaret Thatcher approaches a full decade in office as Prime Minister. She has had an enormous impact on British policy, especially domestic policy, on her party, and on the political system. Earlier predictions about her political demise have obviously been greatly exaggerated. ■

IRELAND

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As a result of the November, 1982, election, FitzGerald returned for a second term and a measure of stability also returned. Although FitzGerald's government lasted until March, 1987, the unpopularity of his economic reform program eventually led to his downfall. The establishment of the New Ireland Forum and the signing of the Anglo-Irish agreement were considerable achievements, but economic austerity measures, a failed national referendum on divorce as part of FitzGerald's constitutional crusade to secularize the Irish state and, finally, disputes within the Fine Gael-Labour coalition over the 1987 fiscal reforms caused the withdrawal of Labour from the coalition.

In the 1987 election campaign, austerity measures that included reductions in social spending and tax reform dominated the platforms of both parties. Fianna Fail won a plurality of votes; Fine Gael's overall percentage of votes was noticeably lower, and the Labour party received its lowest vote percentage ever. A new party, the Progressive Democrats, took advantage of voters who strayed from other parties and supplanted the Labour party as the third party in Irish politics. On the day after Haughey assumed office again, Garret FitzGerald resigned as his party's leader and was replaced by Alan Dukes, an economist with a background similar to FitzGerald's.

The economic problems that have destabilized the political system hold great significance for society in the long run. Ireland has been transformed from a rural, agricultural society to an urban, industrial society over a relatively short period of time. In the period from 1965 to 1980, the per-

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WEST GERMANY

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ship is largely urban middle class, generally conservative on economic issues but to the left on civil liberties and social questions. The FDP, consequently, tends to promote the market economy, individual achievement and individual rights.

The Liberals have managed to stay above the five percent minimum vote requirement in national elections (in some cases by less than one percentage point) by promoting themselves as the "corrective" to the policies of their major coalition partner. They have encouraged voters to split their votes and did very well in the 1987 election with people who voted Christian Democratic on the first ballot but who wanted the FDP in the government to check the conservatives. The Liberals also benefited from the popularity of Foreign Minister Hans-Dietrich Genscher and his policies of détente. Many voters saw their vote for the FDP as a vote for continuity and stability in government policy.

Genscher's dominance, however, has left a leadership vacuum within the party at large, because there are few well-known and impressive figures in the leadership apart from the foreign minister. The party will elect a new chairperson this fall and will select either the former economics minister, Count Otto Lambsdorff, or Irmgard Adam-Schwaetzer, a state minister in the Foreign Ministry. While both candidates believe that the party needs a clearer profile as the true champion of liberal principles and would draw sharper contrasts with the CDU, the selection of Adam-Schwaetzer would bring in a woman and a member of the postwar generation (she is 46 years old). Her election would signal a sharper change of course and could lead to an intensification of conflict with the right wing of the Christian Democrats.

While dissension within the Christian-Liberal coalition is likely to remain significant, it is highly unlikely that the FDP will return to a coalition with the SPD before 1991 at the earliest. Polls continue to indicate that the mood of FDP voters remains firmly in favor of continuing the coalition.¹⁴ A shift would raise the question of Liberal opportunism and would risk the loss of Christian Democratic second-ballot votes without any assurance that they would be sufficiently compensated for by SPD second-ballot votes. The FDP would be forced to go through another internal upheaval similar to that it experienced in 1982, and the leadership would have difficulties carrying along what has become a gener-

ally conservative rank and file. Finally, an FDP-SPD coalition would not be assured of a majority of seats in the Bundestag, given the presence of the Greens, and would have to accept some role for the Green party. However, continuing dissension with the CDU/CSU could lead to a reassessment.

THE GREENS

The Green party factor remains both central and unpredictable as the Greens face a number of key choices. Are the Greens members of a party that has some representation in Parliament but that sees itself as largely extra-parliamentary? Or are they a political party open to serving in government? This question is at the heart of the internal debate within the party.

One general faction, the Fundamentalists (or Fundis), a loose and diverse collection of Marxists and utopians, wants the Greens to remain critics of the system from the outside. They reject any coalition with the SPD, fearing that association with an established party will diminish the Greens' appeal as a protest movement and will risk co-optation and absorption by the larger Social Democrats. To the Fundis, the SPD is the most dangerous threat to the viability of the movement.

The other major grouping within the party, the Realists (or Realos), many of whom are veterans of the 1968 student movement and are former members of the SPD, argue that in order to remain credible to new voters the Greens have to show that they can have an impact on policy. They favor working with the Social Democrats in return for concessions on key environmental issues. They have engineered short-lived coalitions with the SPD in Hamburg and the state of Hesse.

The debate within the party is complicated by the attitudes and structures that characterize the movement. An antiauthoritarian and antiparty spirit permeates all aspects of the organization and has produced a decentralized party structure that limits the Greens as a reliable coalition partner.

The future of the Greens, consequently, remains unpredictable. They are likely to remain a major political factor through the next decade. First, the electoral system based on proportionality means that as long as they can poll at least five percent of the vote they will maintain a voice in Parliament and will continue to have access to the public financing that goes to all parties in Parliament. Second, the federal system provides multiple arenas for them at the state and local levels where they can maintain a profile. In many respects, the Greens are stronger at these levels than they are at the national level. Third, the Greens have established themselves with many young voters and can look

¹⁴The June, 1988, *Spiegel* poll, for example, found that 66 percent of FDP voters favored a coalition with the CDU/CSU while only 28 percent preferred the SPD.

forward to expanding their base as the younger generations replace the older ones. They are an important manifestation of the generational and value change that has been transforming the West German political culture. Finally, the importance of environmental, feminist and other social issues is likely to increase, and the Greens will continue to benefit from the importance of these issues on the public agenda.

In spite of these rather gloomy trends, there were no indications that the democratic system was in doubt in West Germany. Public support for parliamentary democracy, warts and all, remained strong, and there is little doubt that the Federal Republic has established itself as a deep-rooted if not always self-confident democracy.

Questions remain, however. Is the party system moving toward a two-bloc system of right (CDU/CSU and FDP) and left (SPD and Greens), with a tendency toward polarization? In this scenario, the FDP loses its role as centrist balancer, and pressures on conservatives from the right and on the SPD from the left increase and pull the parties away from the center. Or will the FDP continue to play a balancer role and return to a coalition with the Social Democrats once that party returns to the center on major economic and defense policy issues?¹⁵

FUTURE CONCERNS

As the West German polity moves toward the next decade, it faces a number of key policy challenges. These include economic challenges, especially unemployment, low investment, the impact of an integrated European market in 1992 and a changing security environment in Europe.

West Germany continues to enjoy the dominant economy in West Europe. It has the largest gross national product (GNP), the largest trade balance and the strongest currency in the 12-member European Community (EC). As the EC moves toward the removal of all-trade labor and investment barriers in 1992, the Germans stand poised to enhance their advantages.

Yet the economy has also exhibited slow growth rates (in the one to two percent range over the past five years), low rates of domestic investment, and persistently high levels of unemployment (which has increased from around four percent in 1980 to eight to nine percent over the past six years). In the process, the country has acquired a fiscal deficit that exceeds the United States deficit in terms of its share of the GNP.¹⁶

¹⁵Cerny, "The Bundestag Election of 1987," pp. 135-136.

¹⁶"German Constipation," *The Economist*, February 20, 1988, p. 79; "The Low-Energy German Economy," *Forbes*, November 2, 1987, p. 116.

The problems of the German economy stem from a series of structural rigidities due to subsidization, costly and immobile labor, an overly centralized and cautious investment system, and too much regulation. In addition, a dramatic decline in the birthrate that began in the 1960's has resulted in negative population growth. This demographic drop threatens to cut consumption further while at the same time it narrows the tax base on which to finance a generous pension system. The pension system will be increasingly burdened by an aging population over the next two decades.

The Kohl government has moved toward some deregulation, privatization and tax reduction, but on a far more modest scale than that of either the American or British governments. The coalition remains divided on how far it should go toward stimulating the economy and weakening the social net defended by strong interest groups. A gradual incrementalist approach rather than any sharp break in the direction of neoliberalism is the most likely scenario. Yet the economic mood remains uncertain and the dependence on exports leaves West Germany's future in the hands of the United States, Japan and other powerful economic actors.

From the West German perspective, on the other hand, the international environment has seen a marked improvement. The Soviet-American agreement on intermediate-range nuclear forces (the INF treaty) has silenced the vociferous German peace movement and has enhanced public confidence in American leadership and the Atlantic alliance. The first visit of an East German head of state to the Federal Republic, the visit of Erich Honecker in September, 1987, and the subsequent warming of superpower and East-West relations also allowed a further improvement in the relations between the two Germanies.

However, the impact of the new Soviet leader, General Secretary Mikhail Gorbachev, and the prospect of a new era of détente have led to divisions within the West German government on how to respond to the cascade of Soviet initiatives on arms control. The gap between the conservatives within the CDU/CSU and the left in the CDU and the FDP over strategy toward the East is likely to continue to undermine the cohesion of the coalition and may open the door to a new SPD-FDP coalition after the next election.

The 1990's promise to be the most significant decade for West Germany since its foundation in the postwar era. West Germany will face a rapidly changing domestic and international environment during a period of important transition in its political culture and party system. How it handles these challenges will be crucial to the European political future. ■

IRELAND

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tage of the labor force engaged in agriculture dropped from 31 percent to 19 percent, while the percentage of labor engaged in industry rose from 28 percent to 34 percent and the percentage of labor engaged in service industries rose from 41 percent to 48 percent. During this period, the urban population increased from 49 percent to 57 percent, while the average annual population growth rate soared to 1.8 percent, the highest in West Europe.¹⁵

Normally, Ireland has welcomed an increase in emigration in times of economic trouble as a method of relieving unemployment. However, today unemployment is holding around the 20 percent level as emigration continues. The economic environment is forcing a large outflow of recent college graduates in a classic case of "brain drain." Approximately 40 percent of engineering school graduates and 70 percent of architectural school graduates leave Ireland each year for jobs in Britain or West Europe.

Unemployment is of more immediate urgency than emigration. A 20 percent unemployment rate is a burden for social welfare; it also causes a large outlay in the social service budget. Moreover, many of the unemployed have found that their government compensation is more generous than a private sector paycheck taxed at current rates.

THE FUTURE

What does the immediate future hold? Some resolution of Ireland's pressing economic, political and social problems is necessary before any government can deal with the legacy of the rapid modernization of the last 30 years. At the top of the agenda is fiscal reform. When Charles Haughey assumed power in March, 1987, one of his first acts was to introduce a budget that had more stringent and more wide-ranging economic reforms than any of Garret Fitzgerald's unpopular budgets.

Haughey's second budget, introduced in January, 1988, took these steps even further, with an ultimate goal of holding the ratio between the national debt and the GNP at its present level and lowering government borrowing to between 5 percent and 7 percent of GNP. Initially, Haughey had been unsuccessful in his attempts to reduce jobs in the public sector and his budgets did little to change the basic nature of the Irish tax structure. Some critics were predicting another election after the budget cuts decreased Haughey's popularity.¹⁶

At this moment, the prospects for fiscal reform are improving. Public opinion seems to give solid support for the austerity policies of the Haughey administration. A May, 1988, public opinion poll showed that 55 percent of the electorate was satisfied with Haughey's performance; this is the highest rating ever for a Taoiseach. The surge of popularity came in spite of hospital closings, educational cutbacks and the elimination of 10,000 government jobs in 1988. Some experts believe that the public support is a mandate for the professed goal of the Haughey government: the expansion of private business to help Ireland stay competitive in the international market.¹⁷

The dependence of the Irish economy on the world market will remain a significant hurdle to economic reform. Such a dependence on international markets, which in the past fueled Ireland's massive national debt, will grow with the implementation of the EC's Single European Act (SEA) in 1992. The SEA is unpopular in Ireland and may cause an economic backlash. Economic problems have also caused concern among foreign investors in Ireland; companies routinely have to double the salaries of employees sent to Ireland. If the tax structure is changed to increase the burden on foreign corporations and if corporations lose Ireland as a tax haven in the EC because of the impact of the SEA, a massive foreign capital flight could follow.

In a June, 1988, speech before the Dail, Haughey reiterated the fact that the Irish are "still spending and borrowing too much in relation to what we produce and our capacity to pay."¹⁸ Without public acceptance of belt-tightening measures to reduce government spending and promote economic growth, there is little hope of reducing Ireland's staggering national debt. A failure to deal with the debt will have a lasting impact on Irish society. If demographic trends continue, the Ireland of the 1990's will be a young, urban and poor society. ■

BOOK REVIEWS

(Continued from page 385)

SDI as a viable policy alternative. She also analyzes the European context of SDI and the political and military challenge that SDI offers to NATO. Peter Rajcsanyi covers the impact of SDI on East-West relations and the future of space weapons arms control. The history of ballistic missile defense in United States-Soviet relations is recounted by Vladimir Bilandzic, who also analyzes the implications of SDI for the superpowers. The appendix contains a series of excerpts from speeches about SDI by leaders from the United States, the Soviet Union, Great Britain and West Germany. R.S.B. ■

¹⁵World Bank Development Report, p. 255.

¹⁶The Economist, February 6, 1988, p. 52.

¹⁷Steven Lohr, "Irish Applaud Austerity Policies," *The New York Times*, August 15, 1988.

¹⁸Ibid.

EUROPEAN COMMUNITY

(Continued from page 360)

siderable support since the SEA of 1987. The widened use of the ECU and the collective central bank have become deeply enmeshed with 1992 plans, with a March, 1988, decision to make such a bank independent of EC governments. The milestone summit at Hanover took the bank idea one step further with a projected abolition of exchange controls throughout the EC.

A series of EC proposals on banking and investment services, collectively called the Second Banking Coordination Directive, has been debated. This document outlines the methods involved in allowing banks the freedom to do business in any EC state. The measures on the freedom of capital movement include the introduction of a single banking license. This is a troublesome point, since it covers securities trading, mortgage loans, leasing, money brokerage, fund management and, of course, basic money lending. A major problem of this directive includes the provisions dealing with non EC-owned banks, but even on this issue, a trade-off centered on "reciprocity access" may become the heart of a compromise.

Can Europe achieve its 1992 goal? For those who look at the past and the EC record of deadline setting with all its marathon sessions, the EC record is at best mixed. As of mid-1988, only one-third of the roughly 300 decisions needed to establish the internal market have been devised and approved. Technically, even the Commission admits that it is delayed. Cynics say that the prospects for short-term progress on a real common market are diluted in part by the 1988 and 1989 rotation of council presidencies rotation to the politically and economically weak Spain and Greece. The West German EC presidency in the first half of 1988 had mixed results; little was accomplished on tax policy divergencies, but in finances, food law, the free movement of professions and public procurement there were exceptional advances.

The most significant development since the creation of the SEA in 1987 has been a broad-based public awakening about what will happen when the EC becomes a single-market economy in 1992. Aided by the European Parliament, the Commission has mounted a huge public relations program to increase public awareness and support for the SEA. The initial response from ordinary citizens has been positive. Yet the polarization of West European society into winners and losers, nationalists and integrationists, may become disruptive enough to postpone Project '92 until the end of the decade.

It is possible that enough of the open market will be in place to cause an irreversible momentum to

completion soon after 1992. The plan has been a triggering device for cross-frontier alliances and mergers. Most Europeans are learning that West Europe will retain its national markets but that each nation will become more accessible to the others. To that end, the one-market frame of mind will prevail and the tilt will favor economy-wide decision making.

ITALY

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vice and public sectors. Indeed, the disruptions strikes have caused over the past several years have generated a demand for legislation that would regulate strikes in essential public services.

But the serious structural problem that no government has been able to confront successfully remains the deficit—which is far higher, proportionally, than that of the United States and almost every other developed country in the world. The problem is basically twofold: the parties in Parliament spend lavishly to serve their own constituencies and rebel at the thought of more than cosmetic cuts in services and benefits. At the same time, there is great reluctance to crack down systematically on tax evaders, since certain categories (especially small business and independent professionals) on which several governing parties rely heavily for political support are among the most notorious offenders. Italy has a very high tax rate, but taxes are unevenly applied: salaried personnel, in factories or offices, have taxes withheld and obviously resent the far lighter burden that many other categories carry.

The increasing computerization of records and more aggressive collection methods have made some inroads, but the problem is unlikely to be met with forceful concerted action. The Gorla government almost fell just a few months after it was constituted because of disagreements over raising the value added tax (VAT) yet again. And the issue of tax reform may prove difficult for the Socialists as well. On the one hand, they want to appeal as a far more "modern" and realistic party than the PCI.

Not surprisingly, along with the major union confederations, the Communists are calling for a thorough and more equitable restructuring of the entire taxation system. But the Socialists also want to appeal to what they view as the "rising strata," especially highly successful small businessmen, entrepreneurs and professionals. These groups are likely to take a very dim view of any serious efforts to interfere with what they consider their prerogatives. As usual, the Italian scene is plagued by complexities that almost invite the major actors to avoid making hard decisions.

THE MONTH IN REVIEW

A Current History chronology covering the most important events of September, 1988, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Angolan Peace Plan

- Sept. 7—South Africa, Cuba and Angola resume negotiations about the withdrawal of Cuban troops from Angola.
- Sept. 22—UN Secretary General Javier Pérez de Cuéllar arrives in South Africa to discuss the implementation of Security Council Resolution 435 (which defines the South African presence in Namibia as illegal) and to survey the progress made in ensuring peace in Angola and the transition to independence of Namibia.
- Sept. 26—In Brazzaville, Congo, negotiators from Angola, South Africa and Cuba renew efforts to set a timetable for the withdrawal of all Cuban troops from Angola.
- Sept. 29—Angola, South Africa and Cuba end their discussions in Brazzaville; sources say that the talks made considerable progress toward a resolution of the conflict, including an agreement in principle to a 24-month timetable for a Cuban withdrawal from Angola. Negotiations are scheduled to continue in mid-October.

Central American Peace Plan

- Sept. 10—The Sandinistas and the contras disagree on a resumption of peace negotiations; Nicaraguan President Daniel Ortega Saavedra says he is willing to resume the talks, which have been suspended since June 9.
- Sept. 19—The contras and the Sandinistas begin 2 days of preliminary talks in Guatemala before resuming peace negotiations scheduled for September 28.

International Monetary Fund (IMF)

- Sept. 18—In Washington, D.C., the 151-member World Bank issues its annual report, which says that the debt problems of third world countries lack an immediate solution; the report is issued prior to the annual meeting, which begins on September 22.
- Sept. 27—The annual combined meeting of the IMF and the World Bank hears Japanese proposals for restructuring third world debt; U.S. Treasury Secretary Nicholas Brady states that the proposals for additional funding must be "compelling" in view of "competing demands and budgetary restraints."
- Sept. 28—Representatives of most Latin American and African third world nations tell the IMF meeting that their living standards are worsening because of their debts and the trade barriers imposed on them by the industrial nations.

Iran-Iraq War

(See also *U.S., Foreign Policy*)

- Sept. 1—UN Secretary General Javier Pérez de Cuéllar says no progress has been made in peace talks between Iran and Iraq after a week of negotiations.
- Sept. 30—In New York City, the foreign ministers of Iran and Iraq resume peace negotiations.

Organization of Petroleum Exporting Countries (OPEC)

- Sept. 25—Meeting in Madrid for 2 days, oil ministers of the 5 main OPEC countries attempt to restore pricing and production discipline to the 13-member organization.
- Sept. 26—OPEC members fail to agree on ways to raise prices and to enforce production discipline on member countries; they will search for "a new approach" to raising prices.

United Nations (UN)

(See also *Intl, Angolan Peace Plan, Iran-Iraq War, U.S.S.R.; U.S., Foreign Policy*)

- Sept. 2—The UN Subcommission on the Prevention of Discrimination and Protection of Minorities ends a 6-week session by approving 3 minor measures dealing with capital punishment, judicial independence and the rights of the mentally ill.
- Sept. 20—Argentina's Foreign Minister Dante Caputo is elected president of the 43d UN General Assembly; Caputo receives 91 votes, while Dame Ruth Nita Barrow of Barbados wins 66 votes.
- Sept. 26—The 43d session of the UN General Assembly opens. U.S. President Ronald Reagan addresses the General Assembly; this is probably his last speech to the UN as U.S. President. He calls for new and stronger efforts to ban the use of chemical weapons and praises the recent work of the UN in its global peace-making efforts.
- Sept. 29—The Norwegian Nobel Committee awards the 1988 Nobel Peace Prize to the UN peacekeeping forces for "a decisive contribution toward the initiation of actual peace negotiations" around the world.

AFGHANISTAN

- Sept. 28—The Soviet news agency Tass reports that in the latest escalation of rocket attacks on Kabul by Afghan rebels, 35 people have been killed and 150 have been wounded.
- In response to what it believes are violations of the UN-sponsored agreement on Afghanistan, the Soviet Union says that it is suspending its withdrawal of troops.

ANGOLA

(See *Intl, Angolan Peace Plan*)

ARGENTINA

(See also *Intl, UN*)

- Sept. 12—The General Labor Confederation, Argentina's largest labor group, holds a 24-hour general strike; the action is called to protest police brutality during a general strike on September 9.

BANGLADESH

- Sept. 5—Government officials say that 500 people have died in the last 2 weeks of torrential flooding in Bangladesh. At least 30 million people are homeless because of the unexpectedly heavy monsoon rains.
- Sept. 7—The toll in the flood crisis reaches 650 dead; three-fourths of Bangladesh is now under water in the worst flooding in 70 years.

BARBADOS

(See *Intl, UN*)

BRAZIL

- Sept. 2—Brazil's new constitution is completed after 19 months of debate.

BURMA

- Sept. 5—A crowd estimated at 100,000 people takes part in an antigovernment demonstration in Rangoon.

- Sept. 6—All 187 members of Burma's foreign ministry who belong to the ruling Burma Socialist Program party resign from the party. According to a statement, the mass resignation protests one-party rule in Burma.
- Sept. 7—Diplomatic sources reveal that during the ongoing protests in Rangoon, looting and robbing have increased dramatically. Burma's state radio announces that security forces have killed 5 looters; opposition leader Aung Gyi says that "the situation in Burma is near anarchy."
- Sept. 8—Almost 1 million demonstrators gather in Rangoon and other cities to protest one-party rule in Burma.
- Sept. 10—President Maung Maung, speaking before an emergency meeting of Burma Socialist Program party members, says that Burma's ruling party committed errors. President Maung also announces that multiparty elections will be held at a future unspecified date.
- Sept. 11—A 3-month deadline for multiparty elections is set by Burma's Parliament.
- Sept. 16—The Burma Socialist Program party says that members of the military, the civil service and the government will no longer be required to join the party.
- Sept. 18—Burmese army officers, who are supporters of former leader Ne Win, oust President Maung Maung and his civilian government from office. Defense Minister Saw Maung says that the army will stand by the promise of the civilian government to hold multiparty elections.
- Sept. 19—Violence erupts in Rangoon as soldiers fire on demonstrators protesting the September 18 coup; diplomatic and press sources say as many as 200 people may have been killed.
- Sept. 20—Saw Maung names a new Cabinet for Burma's government; 8 of the 9 Cabinet ministers are army generals; Saw Maung becomes defense minister and foreign affairs minister.
- Sept. 21—The Cabinet names Saw Maung as Burma's Prime Minister.
- Sept. 24—Burma's 3 leading opposition groups unite in an alliance called the League for Democracy.
- Sept. 26—The state-run radio says that the ruling Burma Socialist Program party has changed its name to the National Unity party.
- Sept. 27—Burma's united political opposition names Aung Gyi as its chairman, Tin Oo as its vice chairman and Aung San Suu Kyi as its general secretary.
- Former Prime Minister U Nu, who was deposed in 1962 by Ne Win, forms his own political party.
- Sept. 28—The political opposition claims that the government killed 1,000 people in violence triggered by the coup on September 18.

CANADA

(See also *U.S., Legislation*)

- Sept. 5—Prime Minister Brian Mulroney signs an agreement settling the ownership claim of nonwhite indigenous people to northern Canada. The accord gives 39,000 Eskimos, Indians and people of mixed heritage the title to 260,000 square miles of land.
- Sept. 27—Olympic track champion Ben Johnson is stripped of his gold medal after failing his drug test.

CHAD

(See *Libya*)

CHILE

- Sept. 1—President Augusto Pinochet says that all exiles, including supporters of the late Chilean President Salvador Allende Gossens, may return to Chile. Among the first group to return is Allende's youngest daughter.

CHINA

(See also *U.S.S.R.*)

- Sept. 20—China agrees to allow international inspection of its nonmilitary nuclear facilities and to adhere to the guidelines of the International Atomic Energy Agency.
- Sept. 22—Chinese leaders end a weeklong conference on economic problems, announcing that the pace of price decontrols will be slowed in order to help lower inflation.
- Sept. 26—The Chinese Communist party begins another meeting to discuss further slowdowns in economic reform.
- Sept. 28—A front-page editorial in the Communist party newspaper criticizes local party members for profiting from inflation; in addition, the editorial says that "strict discipline" is needed to curb such actions.

CONGO

(See *Intl, Angolan Peace Plan*)

CUBA

(See *Intl, Angolan Peace Plan*)

CZECHOSLOVAKIA

- Sept. 28—The official news agency says that 2 British military attachés have been expelled from Czechoslovakia. On September 22, 3 Czechoslovak diplomats were ordered to leave Great Britain after the British government accused them of spying.

DOMINICAN REPUBLIC

(See also *Haiti*)

- Sept. 29—The Dominican Republic's Senate asks President Joaquín Balaguer to expel former Haitian ruler Lieutenant General Henri Namphy from the country. Namphy fled to the Dominican Republic after he was deposed in a September 18 coup in Haiti.

EGYPT

(See also *U.S., Foreign Policy*)

- Sept. 29—A panel of international arbitration rules in favor of Egypt in the dispute between Egypt and Israel over the resort area of Taba in the Sinai Peninsula; both countries had claimed ownership of Taba, but the panel decision will allow the 2 parties to define the boundary of the final 190 yards of the area only.

FRANCE

(See *U.S., Foreign Policy*)

GERMANY, WEST

(See *U.S., Foreign Policy*)

GUATEMALA

(See *Intl, Central American Peace Plan*)

HAITI

(See also *Dominican Republic*)

- Sept. 18—Military officers led by Lieutenant General Prosper Avril overthrow the government of Lieutenant General Henri Namphy; Avril, a former supporter of Namphy, becomes Haiti's new leader; Namphy flees into exile to the Dominican Republic.

Reports from Haiti say Colonel Jean-Claude Paul is the new army chief in Haiti; Colonel Paul is currently under indictment in the U.S. on charges of drug trafficking.

HUNGARY

(See also *Israel*)

- Sept. 13—Hungary says that it is exchanging permanent

diplomatic missions with South Korea.

IRAN

(See also *Intl, Iran-Iraq War; U.K., Great Britain*)

Sept. 6—Prime Minister Mir Hussein Moussavi's resignation is rejected by Iran's leader, the Ayatollah Ruhollah Khomeini. Moussavi offered to resign on September 4 because of a conflict between himself, President Hojatolislam Ali Khamenei and the Parliament.

IRAQ

(See *Intl, Iran-Iraq War; U.S., Foreign Policy*)

ISRAEL

(See also *Egypt; U.S., Foreign Policy*)

Sept. 5—Israel's parliamentary campaign begins as the Labour party and the Likud party criticize each other over policies in the Gaza Strip and on the West Bank.

Sept. 11—On Israeli state television, 2 former members of the Stern Gang, a pre-independence underground group once led by Prime Minister Yitzhak Shamir, say the group assassinated a Swedish UN envoy to Israel in 1948; a spokesman for the Prime Minister says that Shamir was not involved in or connected with the assassination.

Sept. 14—Prime Minister Shamir arrives in Hungary for "a private visit" with representatives of the Hungarian government.

Sept. 15—Prime Minister Shamir ends his visit to Hungary and announces that Israel and Hungary will slowly establish diplomatic ties.

Sept. 19—Israel becomes the 8th nation in history to launch a space satellite into orbit.

Sept. 29—Army chief Lieutenant General Dan Shomron concedes that the Israeli army has killed Palestinian protesters with plastic bullets; Israel has been recently criticized by Palestinian and international groups for using plastic bullets to control demonstrations.

JAPAN

(See also *Intl, IMF; U.S.S.R.; U.S., Foreign Policy*)

Sept. 20—Japan's ailing 87-year-old Emperor Hirohito is relieved of his formal duties by the government; Hirohito's imperial functions will be assumed by Crown Prince Akihito, the Emperor's son.

KOREA, SOUTH

(See also *Canada; Hungary; U.S.S.R.*)

Sept. 17—The 24th Summer Olympic Games open in Seoul. A record 160 nations will participate in the games, which will end on October 2.

LEBANON

Sept. 13—Defense Minister Adel Osseiran is kidnapped by unknown gunmen and released after 3 hours in captivity.

Sept. 21—Christian and Muslim leaders meet in an emergency session in Syria after Lebanon's Parliament fails to name a successor to President Amin Gemayel, whose term expires September 22.

Sept. 22—President Amin Gemayel appoints a 6-member Cabinet, headed by Maronite Christian Major General Michel Aoun, to rule Lebanon while the Parliament decides on a President; however, the 3 Muslim military leaders asked to join the Cabinet by Gemayel refuse to participate.

Sept. 23—Muslim leaders name their own Cabinet, led by Selim al-Hoss, to rule Lebanon during the presidential crisis.

LESOTHO

(See also *Vatican*)

Sept. 14—A group of 4 antigovernment rebels, demanding to see Pope John Paul II during his visit to Lesotho, hijack a bus containing 69 Roman Catholic pilgrims; South African security forces storm the bus, killing 3 hijackers and 1 passenger.

LIBYA

Sept. 8—The official Libyan news agency says that Libya will release all Chadian prisoners of war; Libya ended its 3-year war with Chad in September, 1987.

MEXICO

Sept. 1—President Miguel de la Madrid delivers his final address to Mexico's newest Congress; his speech is frequently interrupted by vocal protests from opposition members claiming vote fraud in the recent presidential election.

Sept. 10—The 500-member electoral college formally certifies Carlos Salinas de Gortari as Mexico's President. Salinas, the ruling Institutional Revolutionary party candidate, receives 263 votes; 85 votes against Salinas are cast by the National Action party, and the 136-member contingent from the National Democratic Front refuses to vote and walks out of the session.

MOZAMBIQUE

(See *South Africa*)

NAMIBIA

(See *Intl, Angolan Peace Plan*)

NICARAGUA

(See *Intl, Central American Peace Plan*)

NORWAY

(See *Intl, UN*)

PANAMA

(See *U.S., Foreign Policy*)

POLAND

Sept. 1—Workers at the Gdansk Lenin shipyard and at a steel mill at Stalowa Wola end their walkouts. Other workers in Szczecin and Jastrebie remain on strike, stating their displeasure with the appeal by Solidarity leader Lech Walesa asking striking Polish workers to call off labor protests.

Sept. 3—After talking to Lech Walesa, the remaining strikers in Szczecin and Jastrebie return to work.

Sept. 15—Lech Walesa meets with Interior Minister Czeslaw Kisczak for a 2d time to discuss proposed roundtable talks on Poland's economic and labor problems; Walesa and Kisczak first met on August 31.

Sept. 16—The Polish government and Solidarity agree to begin talks about labor unrest and the economy in the middle of October.

Sept. 19—Prime Minister Zbigniew Messner and all 19 Cabinet ministers resign from office; Messner's government has been heavily criticized for its economic policies.

Sept. 26—The Communist party Central Committee selects Mieczyslaw Rakowski as Poland's Prime Minister. Rakowski, who is the party propaganda secretary, has been a vocal opponent of the Solidarity trade union.

Sept. 27—Mieczyslaw Rakowski is approved as Prime Minister by the Parliament.

SINGAPORE

Sept. 4—The ruling People's Action party wins Singapore's national parliamentary elections, receiving 63 percent of the vote. Only 1 opposition member is elected to Parliament.

SOUTH AFRICA

(See also *Inll, Angolan Peace Plan; Lesotho; Vatican*)

- Sept. 2—In Natal province, 2 rival anti-apartheid groups, the political faction Inkatha and the United Democratic Front-Congress of South African Trade Unions coalition, sign a cease-fire in their 20-month feud. An estimated 600 people have died in fighting between the 2 sides.
- Sept. 4—Anglican Archbishop Desmond Tutu calls for a boycott of South Africa's municipal elections in October.
- Sept. 12—South African President P.W. Botha meets with Mozambique's President Joaquim Chissano in Mozambique. Both leaders pledge mutual economic support and cooperation in fighting the Renamo (Mozambican National Resistance) rebels in Mozambique.
- Sept. 13—In Johannesburg, 3 prominent black anti-apartheid leaders escape from detention and seek refuge in the U.S. embassy. Embassy officials say they will not force the activists to leave against their will.
- Sept. 22—Political prisoner Clifford Ngcobo escapes from custody and seeks asylum at the U.S. embassy, where 3 other anti-apartheid leaders are sheltered.

SPAIN

(See *U.S., Foreign Policy*)

SRI LANKA

- Sept. 9—An executive order from President J.R. Jayewardene merges the northern and eastern provinces of Sri Lanka in an effort to appease Tamil militants.
- Sept. 26—In northeast Sri Lanka, Cabinet minister Lionel Jayatileke is assassinated by unidentified gunmen.

SWEDEN

(See also *Israel*)

- Sept. 19—The Social Democratic party retains its majority in Parliament as a result of today's national election; the Social Democrats will hold 179 seats in the 349-seat Parliament.

SYRIA

(See *Lebanon*)

TUNISIA

- Sept. 6—President Zine Ben Ali opens talks with members of groups opposed to the government about establishing a pluralistic political and economic system in Tunisia.

TURKEY

- Sept. 26—A referendum to change the date of local elections is defeated by a 2-1 vote; Prime Minister Turgut Ozal threatened to resign if the measure were defeated, but Ozal says he will remain as Prime Minister.

U.S.S.R.

(See also *Afghanistan; U.S., Foreign Policy*)

- Sept. 5—The bribery and corruption trial of Yuri Churbanov, the late Soviet President Leonid Brezhnev's son-in-law, begins in Moscow.
- Sept. 8—During his trial, Yuri Churbanov says that he is guilty of charges of abusing his position in the government but is innocent of charges of taking bribes.
- Sept. 12—Touring the Siberian city of Krasnoyarsk, Soviet General Secretary Mikhail Gorbachev is heckled by consumers upset by food and housing shortages.
- Sept. 16—General Secretary Gorbachev makes his 1st major speech on Asian and Pacific policy in nearly 2 years; among other proposals, Gorbachev offers to restore full relations with China, to expand economic ties with South Korea and Japan, and to transform the Krasnoyarsk radar complex into

an international space center.

- Sept. 19—The Soviet news agency Tass reports that Armenians and Azerbaijanis engaged in a shoot-out in Stepanakert, the capital of the Nagorno-Karabakh Autonomous Region; Armenians have been staging a general strike in Stepanakert since September 12.
- Sept. 21—In response to continuing violence, the Soviet Union declares a state of emergency in the Nagorno-Karabakh Autonomous Region.
- Sept. 22—Tanks and troops are deployed in Armenia and Azerbaijan to control protests.
- Sept. 27—Speaking before the UN, Foreign Minister Eduard Shevardnadze repeats Soviet proposals to convert the Krasnoyarsk radar complex into an international space center. Shevardnadze also calls for stronger UN and U.S.-Soviet cooperation.
- Sept. 28—Foreign Ministry spokesman Gennady Gerasimov says that the Communist party Central Committee will hold a special meeting on September 30. The special plenary session will discuss the restructuring and overhaul of the Communist party at national, republic and local levels.
- Foreign Minister Shevardnadze and Chinese Foreign Minister Qian Qichen meet in New York City at the Chinese mission to the UN. After the meeting, Gerasimov announces that Qian Qichen will visit the Soviet Union at the end of 1988.
- Sept. 30—A major restructuring of the Soviet leadership is announced at the conclusion of the special Central Committee meeting. Andrei Gromyko, Anatoly Dobrynin and Mikhail Solomentsev retire from the Politburo, while Vadim Medvedev is named as a full member. Party secretaries Yegor Ligachev and Viktor Chebrikov are given additional responsibilities.

UNITED KINGDOM

(See also *Czechoslovakia; U.S., Foreign Policy*)

Great Britain

- Sept. 6—The British postal strike, which began on August 31, spreads as all national and international mail services are suspended. This is the 1st widespread postal strike in Britain since 1971.
- Sept. 12—The striking postal workers reach a settlement in their labor dispute.
- Sept. 28—Prime Minister Margaret Thatcher makes a rare trip to Northern Ireland; during her visit, Thatcher reavows the British government's desire to eliminate terrorism in Northern Ireland.

Foreign Secretary Sir Geoffrey Howe says that he will meet soon with the foreign minister of Iran to discuss the restoration of diplomatic relations between Great Britain and Iran.

Northern Ireland

(See *U.K., Great Britain*)

UNITED STATES

Administration

- Sept. 1—The Federal Communications Commission (FCC) announces its proposed guidelines for high-definition television parameters; viewers will be able to receive television pictures at present levels of definition, but will need new television sets to use the new technology.
- Sept. 6—The Census Bureau reports that the Hispanic population of the U.S. has increased by 34 percent since the 1980 census.
- Sept. 7—In a 184-page civil complaint in U.S. district court, the Securities and Exchange Commission (SEC) charges

Drexel Burnham Lambert and 4 of its employees with insider trading and defrauding its clients by manipulating stock prices. Drexel denies the charges.

Sept. 11—Smoke from forest fires in Yellowstone National Park and other western areas casts a gray pall over eastern U.S. cities. Over 4 million acres have been burned so far this year, and the National Park Service policy of letting natural fires continue to burn comes under severe questioning.

Sept. 12—With Environmental Protection Agency (EPA) approval, Assistant Surgeon General Vernon Hoak of the Public Health Service warns of a major problem from radon, a radioactive gas, in homes in a widespread area of the U.S.; radon is believed to cause between 10,000 and 20,000 deaths from lung cancer per year.

Sept. 13—President Ronald Reagan authorizes the payment of \$44 million in outstanding dues to the UN for fiscal 1988; he also indicates his willingness to pay \$144 million still to be appropriated by Congress for fiscal 1989.

Sept. 24—The EPA issues its annual ratings of gasoline consumption for cars sold in the U.S.

Sept. 28—Director of the Office of Management and Budget James Miller 3d resigns his post, effective October 15.

Sept. 29—The U.S. and 11 other nations sign agreements to build a permanent manned space station. Funds have not yet been provided for the project.

Sept. 30—The Energy Department says that it had no knowledge of a series of serious reactor accidents occurring over the last 31 years at the Du Pont-operated Savannah River plant in South Carolina; congressional committees investigating unexplained power surges last August discovered a memorandum outlining the other accidents.

Economy

Sept. 2—The Labor Department announces that the nation's unemployment rate rose to 5.5 percent in August.

Sept. 9—The Labor Department reports that its producer price index rose 0.6 percent in August, the largest increase so far this year.

Sept. 14—The Commerce Department says that the U.S. foreign trade deficit fell to \$9.5 billion in July.

Sept. 20—The Commerce Department reports that prices rose at a 5 percent rate in the 2d quarter of 1988.

Sept. 21—The Labor Department says that its consumer price index rose 0.4 percent in August.

Sept. 22—According to the Federal Home Loan Bank Board, the nation's 3,092 savings institutions showed a loss of \$3.6 billion in the 2d quarter of 1988.

Sept. 30—The Commerce Department reports that its index of leading economic indicators rose 0.4 percent in August.

Foreign Policy

(See also *Intl*, *Central American Peace Plan*, *IMF*, *UN*, *Haiti*, *U.S.S.R.*)

Sept. 8—State Department spokesman Charles Redman says that the U.S. has conclusive proof that Iraq used poison gas against Iraq's Kurdish rebel guerrillas. Iraq denies the charges.

The U.S. destroys 2 Pershing missile engines as a first step in the reduction of its medium-range nuclear missiles under the new U.S.-Soviet arms treaty; the destruction of the missiles begins a 3-year process of eliminating an entire class of nuclear missiles.

Sept. 12—The U.S., Great Britain, West Germany and Japan ask UN Secretary General Javier Pérez de Cuéllar to investigate the possible use of poison gas by Iraqi forces against Kurdish rebels.

Sept. 14—For the first time, U.S. officials in the Soviet Union witness an underground Soviet nuclear test and are able to measure it with their own instruments.

Sept. 16—President Reagan says that the U.S. is reducing its diplomatic staff in Panama; about one-half of the 160 diplomatic posts will be eliminated because of deteriorating relations between the U.S. and Panama.

Sept. 22—Shultz meets in Washington, D.C., with Soviet Foreign Minister Eduard Shevardnadze to discuss limiting some types of warheads on ballistic missiles.

Sept. 26—President Reagan meets with the foreign ministers of Egypt and Israel in New York; he praises the Camp David accords as a basis for future peace efforts in the Middle East.

The Defense Department announces that the U.S. will no longer convoy ships in Persian Gulf waters but will stand ready to give assistance if asked to do so.

Sept. 28—In New York, Secretary Shultz and Spain's Foreign Minister Francisco Fernández Ordóñez agree on the final details of a new 8-year agreement on the 3 U.S. military bases in Spain, ensuring a continued U.S. presence in Spain.

Sept. 29—French President François Mitterrand meets with President Ronald Reagan in Washington, D.C.; they discuss issues connected with arms and with regional conflicts around the world.

Labor and Industry

Sept. 5—The Federal Home Loan Bank Board will put up \$2 billion to support the sale of the \$30-billion insolvent American Savings and Loan Association of California to the Robert M. Bass Group of Texas.

Sept. 10—Eastern Airlines eliminates 4,000 jobs in a move the company claims is necessary for its survival.

Legislation

Sept. 7—Congress returns from vacation recess.

Sept. 19—The Senate completes U.S. approval of the free-trade agreement with Canada by an 83-9 vote; the House approved the measure August 9, voting 366 to 40.

Sept. 20—The Senate confirms Lauro Cavazos as education secretary in a 94-0 vote.

Sept. 23—The House votes 248 to 150 in favor of a bill setting newer and tougher limits on the imports of textiles, garments and shoes; the Senate passed the bill last week by a 59-35 vote.

Sept. 28—President Reagan vetoes the bill limiting textile, garment and shoe imports, calling it "protectionism at its worst."

The House, voting 369 to 48, and the Senate, voting 91 to 4, approve a \$300-billion military budget authorization bill; a separate appropriations bill for fiscal 1989 must now be passed to make the money available.

The House Intelligence Committee votes 11 to 6 not to release classified material for an investigation of House Speaker Jim Wright (D., Tex.), despite the request of some Republican congressmen; last week Wright asserted that he had "clear testimony" that the Central Intelligence Agency (CIA) sought to initiate unrest in Nicaragua.

President Ronald Reagan signs the free-trade agreement with Canada.

Sept. 30—The House votes 347 to 53 to complete congressional action on a major welfare reform bill.

The House and Senate complete action on the remaining 12 appropriations bills for fiscal 1989. For the 1st time since 1977, Congress has completed appropriations before the fiscal year begins.

President Reagan signs all but 3 of the measures that reach his desk before the October 1 deadline and is expected to sign the others.

Political Scandal

Sept. 23—In U.S. district court, former presidential adviser Michael Deaver receives a suspended sentence of 3 years, is

placed on probation and is fined \$100,000 for lying to a congressional investigating committee.

Politics

- Sept. 6—Massachusetts Governor Michael Dukakis agrees to a plan proposed by Vice President George Bush for 2 televised debates.
- Sept. 25—In Winston-Salem, North Carolina, Vice President George Bush and Massachusetts Governor Michael Dukakis engage in the 1st of 2 televised debates; the candidates disagree sharply on most issues, including abortion, defense and the economy.

Science and Space

- Sept. 5—The Air Force successfully launches a secret satellite with a Titan 2 rocket into orbit.
- Sept. 16—The National Aeronautics and Space Agency (NASA) announces that the *Discovery* space shuttle will be launched September 29.
- Hurricane Gilbert, after devastating Jamaica and Yucatan, misses Texas and hits in a relatively unpopulated area of Mexico about 120 miles south of Brownsville, Texas; the storm has killed at least 17 people.
- Sept. 27—Lieutenant General James A. Abrahamson resigns as director of the Strategic Defense Initiative (SDI), President Reagan's "Star Wars" program; the surprise resignation will take effect at the end of January, 1989. Abrahamson's letter of resignation is dated July 26 and is finally made public today.
- Sept. 29—The space shuttle *Discovery* is successfully launched at Cape Canaveral and achieves its orbit; 5 astronauts are aboard for the 4-day mission.
- A \$100-million communications satellite is launched into orbit by the *Discovery*.

VATICAN

- Sept. 9—The Vatican issues a statement saying that Pope John Paul II is willing to travel to South Africa in the future, but is unable to stop there during his upcoming visit to southern Africa because of an "intense" schedule.
- Sept. 10—The Pope starts his 10-day, 5 nation tour of Africa in Zimbabwe.
- Sept. 14—Bad weather forces the diversion of Pope John Paul II's plane from its scheduled flight to Lesotho; the Pope makes an unscheduled landing in South Africa and completes his trip to Lesotho by car.

YUGOSLAVIA

Sept. 25—In Kosovo province, 100,000 people march to protest the treatment of Serbs by ethnic Albanians who live in Kosovo.

FRANCE

(Continued from page 380)

source of this problem is France's weakness in the production and export of manufactured goods; at the same time, the surplus in agricultural products is insufficient.

The search for a successful economic model for the 1980's and beyond has led to the end of the bitter left-right division, and to the establishment of a general consensus that the role of the state in the economy should be reduced in order to encourage private enterprise. Thus, the Chirac government denationalized some 13 firms, and the socialists are unlikely to try to expand the public sector again. In general, a neoliberalism has become the order of the day in France, even though it is unlikely to allow the rise of a dog-eat-dog capitalist Thatcher-like approach.

The frequent changes in government philosophy during the 1980's have tended to introduce confusion into France's economic policy, affecting investment and overall confidence. Few industrialists felt threatened by the socialist victory in 1988, since even the socialist left favors the invigoration of France's nongovernment sector.

On the other hand, the Rocard government has not inspired much confidence because it seems to lack solutions to the national economic malaise. Thus, in the economic as well as the political arena, France seems uncertain of itself and is still floundering under a President without a project.

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